



STATE OF MONTANA REQUEST FOR PROPOSAL (RFP)

RFP Number: 000014	RFP Title: Montana Lottery Scratch RFP and Related Services
RFP Response Due Date and Time: May 16, 2008 1:30 P.M., Local Time	Number of Pages: 79

ISSUING AGENCY INFORMATION	
Procurement Officer: Chris Gabriel	Issue Date: February 4, 2008
Montana Department of Administration Print and Mail Service Bureau 920 Front Street PO Box 200132 Helena MT 59620-0132	Phone: (406) 444-3139 Fax: (406) 443-2212 TTY Users, Dial 711 Website: http://vendor.mt.gov/

INSTRUCTIONS TO OFFERORS	
Return Sealed Proposal to: Montana Department of Administration Print and Mail Service Bureau 920 Front Street PO Box 200132 Helena MT 59620-0132	Mark Face of Envelope/Package: RFP Number: 000014 RFP Response Due Date: May 16, 2008 Special Instructions:

IMPORTANT: SEE STANDARD TERMS AND CONDITIONS

OFFERORS MUST COMPLETE THE FOLLOWING	
Offeror Name/Address:	Authorized Offeror Signatory: (Please print name and sign in ink)
Offeror Phone Number:	Offeror FAX Number:
Offeror E-mail Address:	

OFFERORS MUST RETURN THIS COVER SHEET WITH RFP RESPONSE

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INSTRUCTIONS TO OFFERORS

It is the responsibility of each offeror to:

Follow the format required in the RFP when preparing your response. Provide point-by-point responses to all sections in a clear and concise manner.

Provide complete answers/descriptions. Read and answer **all** questions and requirements. Don't assume the State or evaluator/evaluation committee will know what your company capabilities are or what items/services you can provide, even if you have previously contracted with the State. The proposals are evaluated based solely on the information and materials provided in your response.

Use the forms provided, i.e., cover page, sample budget form, certification forms, etc.

Submit your response on time. Note all the dates and times listed in the Schedule of Events and within the document, and be sure to submit all required items on time. Late proposal responses are **never** accepted.

The following items MUST be included in the response to be considered responsive. Failure to include any of these items may result in a nonresponsive determination.

Signed Cover Sheet

Signed Addenda (if appropriate)

Meet Mandatory Requirements in Section 1.5.3.

Point-by-Point response to all sections and subsections per Section 1.6.1

Response to Appendices A and B per Section 1.6.1

Complete answers to all requirements of Sections 3, 4, and 5

Correctly executed State of Montana "Affidavit for Trade Secret Confidentiality" form if claiming information to be confidential or proprietary (per Section 2.2.1)

SCHEDULE OF EVENTS

EVENT

DATE

RFP Issue Date	2/04/08
Deadline for Receipt of Written Questions	2/19/08
Deadline for Posting Written Responses to the State's Website.....	2/26/08
RFP Response Due Date	5/16/08
Intended Date for Contract Award	6/27/08

SECTION 1: PROJECT OVERVIEW AND INSTRUCTIONS

1.0 PROJECT OVERVIEW

The STATE OF MONTANA, Montana Lottery is seeking proposals from qualified Offerors for the procurement of Scratch games and other related products and services for the contract period. It is the ultimate objective of the Montana Lottery to provide Scratch tickets for the players that make possible the winning of instant prizes and ensure the players that our tickets will be of the highest quality and security to maintain the integrity of the Lottery.

We typically print approximately 30 to 40 games each year. The offeror can base their proposal on these projections, the offeror should address in their response any marketing or support services that the offeror feels will assist in the creation of maximizing sales and revenues. Any services proposed that are offered at an additional cost MUST be so noted in the offeror's response. Provided in Section 3, Scope of Project is a more complete description of the supplies and/or services sought for this project. Proposals submitted in response to this solicitation must comply with the instructions and procedures contained herein.

1.1 CONTRACT TERM

The contract term is for a period of five years beginning August 08, 2008 and ending August 08, 2013. Renewals of the contract will be made at one-year intervals up to two years total, by mutual agreement of both parties, at any interval that is advantageous to the State. This contract, including any renewals, may not exceed a total of seven years.

1.2 SINGLE POINT OF CONTACT

From the date this Request for Proposal (RFP) is issued until an offeror is selected and the selection is announced by the procurement officer, **offerors are not allowed to communicate with any state staff or officials regarding this procurement, except at the direction of Chris Gabriel**, the procurement officer in charge of the solicitation. Any unauthorized contact may disqualify the offeror from further consideration. Contact information for the single point of contact is as follows:

Procurement Officer: Chris Gabriel
Address: 920 Front Street, Helena MT 59601
Telephone Number: (406) 444-3139
Fax Number: (406) 443-2212
E-mail Address: cgabriel@mt.gov

1.3 LOTTERY CONTACT

The following individual has been designated as the Lottery contact regarding any Contract awarded as a result of this RFP.

Products Manager: Laurie J Felch
Address: 2525 North Montana Avenue
Helena, MT 59601
Telephone Number: 406-444-7090
Fax Number: 406-444-5830
E-mail Address: ljfelch@mt.gov

The Lottery Contact as referenced in Section 1.3 will communicate with the current scratch product contractor as necessary in accordance with the current contract. There will be no communications with the current contractor and the Lottery contact in regards to this RFP.

1.4 REQUIRED REVIEW

1.4.1 Review RFP. Offerors should carefully review the instructions; mandatory requirements, specifications, standard terms and conditions, and contract set out in this RFP and promptly notify the procurement officer identified above in writing or via e-mail of any ambiguity, inconsistency, unduly restrictive specifications, or error, which they discover upon examination of this RFP. This should include any terms or requirements within the RFP that either preclude the offeror from responding to the RFP or add unnecessary cost. This notification must be accompanied by an explanation and suggested modification and be received by the deadline for receipt of written or e-mailed inquiries set forth below. The State will make any final determination of changes to the RFP.

1.3.2 Form of Questions. Offerors with questions or requiring clarification or interpretation of any section within this RFP must address these questions in writing or via e-mail to the procurement officer referenced above on or before February 19, 2008. Each question must provide clear reference to the section, page, and item in question. Questions received after the deadline may not be considered.

1.3.3 State's Response. The State will provide an official written response by February 26, 2008 to all questions received by February 19, 2008. The State's response will be by formal written addendum. Any other form of interpretation, correction, or change to this RFP will not be binding upon the State. Any formal written addendum will be posted on the State's website alongside the posting of the RFP at <http://gsd.mt.gov/osbs> by the close of business on the date listed. **Offerors must sign and return with their RFP response an Acknowledgment of Addendum for any addendum issued.**

1.5 GENERAL REQUIREMENTS

1.5.1 Acceptance of Standard Terms and Conditions/Contract. *By submitting a response to this RFP, offeror agrees to acceptance of the standard terms and conditions and contract as set out in Appendices A and B of this RFP.* Much of the language included in the standard terms and conditions and contract reflects requirements of Montana law. Requests for additions or exceptions to the standard terms and conditions, contract terms, including any necessary licenses, or any added provisions must be submitted to the procurement officer referenced above by the date for receipt of written/e-mailed questions. Any request must be accompanied by an explanation of why the exception is being sought and what specific effect it will have on the offeror's ability to respond to the RFP or perform the contract. The State reserves the right to address nonmaterial requests for exceptions with the highest scoring offeror during contract negotiation. Any material exceptions requested and granted to the standard terms and conditions and contract language will be addressed in any formal written addendum issued for this RFP and will apply to all offerors submitting a response to this RFP. The State will make any final determination of changes to the standard terms and conditions and/or contract.

1.5.2 Resulting Contract. This RFP and any addenda, the offeror's RFP response, including any amendments, a best and final offer, and any clarification question responses shall be included in any resulting contract. The State's contract, attached as Appendix B, contains the contract terms and conditions which will form the basis of any contract between the State and the highest scoring offeror. In the event of a dispute as to the duties and responsibilities of the parties under this contract, the contract, along with any attachments prepared by the State, will govern in the same order of precedence as listed in the contract.

1.5.3 Mandatory Requirements. To be eligible for consideration, an offeror **must** meet the intent of all mandatory requirements as listed in Sections 3, 4, and 5. The State will determine whether an offeror's RFP

response complies with the intent of the requirements. RFP responses that do not meet the full intent of all requirements listed in this RFP may be deemed nonresponsive.

1.5.4 Understanding of Specifications and Requirements. By submitting a response to this RFP, offeror agrees to an understanding of and compliance with the specifications and requirements described in this RFP.

1.5.5 Prime Contractor/Subcontractors. The highest scoring offeror will be the prime contractor if a contract is awarded and shall be responsible, in total, for all work of any subcontractors. All subcontractors, if any, must be listed in the proposal. The State reserves the right to approve all subcontractors. The Contractor shall be responsible to the State for the acts and omissions of all subcontractors or agents and of persons directly or indirectly employed by such subcontractors, and for the acts and omissions of persons employed directly by the Contractor. Further, nothing contained within this document or any contract documents created as a result of any contract awards derived from this RFP shall create any contractual relationships between any subcontractor and the State.

1.5.6 Offeror's Signature. The proposals must be signed in ink by an individual authorized to legally bind the business submitting the proposal. The offeror's signature on a proposal in response to this RFP guarantees that the offer has been established without collusion and without effort to preclude the State of Montana from obtaining the best possible supply or service. Proof of authority of the person signing the RFP response must be furnished upon request.

1.5.7 Offer in Effect for 120 Days. A proposal may not be modified, withdrawn, or canceled by the offeror for a 120-day period following the deadline for proposal submission as defined in the Schedule of Events, or receipt of best and final offer, if required, and offeror so agrees in submitting the proposal.

1.6 SUBMITTING A PROPOSAL

1.6.1 Organization of Proposal. Offerors must organize their proposal into sections that follow the format of this RFP, with tabs separating each section. ***A point-by-point response to all numbered sections, subsections, and appendices is required.*** If no explanation or clarification is required in the offeror's response to a specific subsection, the offeror shall indicate so in the point-by-point response, or utilize a blanket response for the entire section, with the following statement:

“(Offeror's Name)” understands and will comply.

An offeror making the statement “Refer to our literature...” or “Please see www.....com” may be deemed nonresponsive or receive point deductions. If making reference to materials located in another section of the RFP response, specific page numbers and sections must be noted. **The Evaluation Committee is not required to search through literature or another section of the proposal to find a response.**

1.6.1 Organization of Proposal. Offerors must submit a signed copy of the RFP cover sheet and the form attached as Appendix C to respond to this RFP.

1.6.2 Failure to Comply with Instructions. Offerors failing to comply with these instructions may be subject to point deductions. The State may also choose to not evaluate, may deem nonresponsive, and/or may disqualify from further consideration any proposals that do not follow this RFP format, are difficult to understand, are difficult to read, or are missing any requested information.

1.6.3 Multiple Proposals. Offerors may, at their option, submit multiple proposals, in which case each proposal shall be evaluated as a separate document.

1.6.4 Cost Proposal. Offerors ***must*** respond to this RFP by utilizing the RFP cost proposal found in Section 5. The cost proposal serves as the primary representation of each offeror's cost/price, and will be used extensively during proposal evaluations. The cost proposal will be sealed in a clearly marked envelope within the RFP response.

1.6.5 Copies Required and Deadline for Receipt of Proposals. Offerors must submit **one original proposal and 6 copies** to the Dept. of Administration, Print Services. The State requests an electronic copy of the RFP response be included with the proposal. **PROPOSALS MUST BE SEALED AND LABELED ON THE OUTSIDE OF THE PACKAGE** to clearly indicate that they are in response to RFP 000014. ***Proposals must be received at the receptionist's desk of the Dept. of Administration, Print Services, 920 Front Street, Helena MT 59601 prior to 1:30 P.M, local time, May 16, 2008. Facsimile responses to requests for proposals are ONLY accepted on an exception basis with prior approval of the procurement officer.***

1.6.6 Late Proposals. ***Regardless of cause, late proposals will not be accepted and will automatically be disqualified from further consideration.*** It shall be the offeror's sole risk to assure delivery at the receptionist's desk at the designated office by the designated time. Late proposals will not be opened and may be returned to the offeror at the expense of the offeror or destroyed if requested.

1.7 COST OF PREPARING A PROPOSAL

1.7.1 State Not Responsible for Preparation Costs. The costs for developing and delivering responses to this RFP and any subsequent presentations of the proposal as requested by the State are entirely the responsibility of the offeror. The State is not liable for any expense incurred by the offeror in the preparation and presentation of their proposal or any other costs incurred by the offeror prior to execution of a contract.

1.7.2 All Timely Submitted Materials Become State Property. All materials submitted in response to this RFP become the property of the State and are to be appended to any formal documentation, which would further define or expand any contractual relationship between the State and offeror resulting from this RFP process.

SECTION 2: RFP STANDARD INFORMATION & PROPOSAL REQUIREMENTS

2.0 AUTHORITY

This RFP is issued under the authority of section 18-4-304, MCA (Montana Code Annotated) and ARM 2.5.602 (Administrative Rules of Montana). The RFP process is a procurement option allowing the award to be based on stated evaluation criteria. The RFP states the relative importance of all evaluation criteria. Only the evaluation criteria outlined in this RFP will be used.

2.1 OFFEROR COMPETITION

The State encourages free and open competition among Offerors. Whenever possible, the State will design specifications, proposal requests, and conditions to accomplish this objective, consistent with the necessity to satisfy the State's need to procure technically sound, cost-effective services and supplies.

2.2 RECEIPT OF PROPOSALS AND PUBLIC INSPECTION

2.2.1 Public Information. All information received in response to this RFP, including copyrighted material, is deemed public information and will be made available for public viewing and copying shortly after the time for receipt of proposals has passed with the following three exceptions: (1) bona fide trade secrets meeting the requirements of the Uniform Trade Secrets Act, Title 30, chapter 14, part 4, MCA, that have been properly marked, separated, and documented; (2) matters involving individual safety as determined by the State; and (3) other constitutional protections. See section 18-4-304, MCA. The State will make a copier available for interested parties to use at \$0.10 per page. The interested party is responsible for the cost of copies and to provide personnel to do the copying.

2.2.2 Procurement Officer Review of Proposals. Upon opening the proposals received in response to this RFP, the procurement officer in charge of the solicitation will review the proposals and separate out any information that meets the referenced exceptions in Section 2.2.1 above, providing the following conditions have been met:

- Confidential information is clearly marked and separated from the rest of the proposal.
- The proposal does not contain confidential material in the cost or price section.
- An affidavit from an Offeror legal counsel attesting to and explaining the validity of the trade secret claim as set out in Title 30, chapter 14, part 4, MCA, is attached to each proposal containing trade secrets. Counsel must use the State of Montana "Affidavit for Trade Secret Confidentiality" form in requesting the trade secret claim. This affidavit form is available on the General Services Division's website at: <http://gsd.mt.gov/procurement/forms.asp> or by calling (406) 444-2575.

Information separated out under this process will be available for review only by the procurement officer, the evaluation committee members, and limited other designees. Offerors must be prepared to pay all legal costs and fees associated with defending a claim for confidentiality in the event of a "right to know" (open records) request from another party.

2.3 CLASSIFICATION AND EVALUATION OF PROPOSALS

2.3.1 Initial Classification of Proposals as Responsive or Nonresponsive. All proposals will initially be classified as either "responsive" or "nonresponsive," in accordance with ARM 2.5.602. Proposals may be found nonresponsive at any time during the procurement process if any of the required information is not provided; the submitted price is found to be excessive or inadequate as measured by criteria stated in the

RFP; or the proposal is not within the plans and specifications described and required in the RFP. If a proposal is found to be nonresponsive, it will not be considered further.

2.3.2 Determination of Responsibility. The procurement officer will determine whether an Offeror has met the standards of responsibility in accordance with ARM 2.5.407. Such a determination may be made at any time during the procurement process if information surfaces that would result in a determination of nonresponsibility. If an Offeror is found nonresponsive, the determination must be in writing, made a part of the procurement file, and mailed to the affected Offeror.

2.3.3 Evaluation of Proposals. An evaluation committee will evaluate the remaining proposals and recommend whether to award the contract to the highest scoring Offeror or, if necessary, to seek discussion/negotiation or a best and final offer in order to determine the highest scoring Offeror. All responsive proposals will be evaluated based on stated evaluation criteria. In scoring against stated criteria, the State may consider such factors as accepted industry standards and a comparative evaluation of all other qualified RFP responses in terms of differing price, quality, and contractual factors. These scores will be used to determine the most advantageous offering to the State. If an evaluation committee meets to deliberate and evaluate the proposals, the public may attend and observe the evaluation committee deliberations.

2.3.4 Completeness of Proposals. Selection and award will be based on the Offeror proposal and other items outlined in this RFP. Submitted responses may not include references to information located elsewhere, such as Internet websites or libraries, unless specifically requested. Information or materials presented by Offerors outside the formal response or subsequent discussion/negotiation or best and final offer, if requested, will not be considered, will have no bearing on any award, and may result in the Offeror being disqualified from further consideration.

2.3.5 Achieve Passing Score. Any proposal that fails to achieve a passing score of the total available points will be eliminated from further consideration. A "fail" for any individual evaluation criteria may result in proposal disqualification at the discretion of the procurement officer.

2.3.6 Opportunity for Discussion/Negotiation and/or Oral Presentation/Product Demonstration. After receipt of all proposals and prior to the determination of the award, the State may initiate discussions with one or more Offerors should clarification, or negotiation if necessary. Offerors may also be required to make an oral presentation and/or product demonstration to clarify their RFP response or to further define their offer. In either case, Offerors should be prepared to send qualified personnel to Helena, Montana, to discuss technical and contractual aspects of the proposal. Oral presentations and product demonstrations, if requested, shall be at the Offeror expense.

2.3.7 Best and Final Offer. The Best and Final Offer is an option available to the State under the RFP process, which permits the State to request a best and final offer from one or more Offerors if additional information is required to make a final decision. Offerors may be contacted asking that they submit their best and final offer, which must include any and all discussed and/or negotiated changes. The State reserves the right to request a best and final offer for this RFP based on price/cost alone.

2.3.8 Financial and Security Review. A financial review and security investigation of the Apparent Successful Offeror will be conducted prior to the scheduled meeting of the Lottery Commission, at which time concurrence with the selection of the Evaluation Committee will be considered.

2.3.9 Evaluation Committee Recommendation for Contract Award. The evaluation committee will provide a written recommendation for contract award to the procurement officer that contains the scores, justification, and rationale for the decision. The procurement officer will review the recommendation to ensure its compliance with the RFP process and criteria before concurring in the evaluation committee's recommendation of the responsive and responsible Offeror that achieves the highest score and is, therefore, the most advantageous to the State.

2.3.10 Commission Concurrence and Contract Signing. The Commission must concur with the Evaluation Committee's recommendation before a Contract can be signed. In addition, a financial review and security investigation must be completed. The Evaluation Committee will prepare a report for the Commission's review, showing the basis upon which the award was found to be most advantageous to the Lottery, based on the factors set forth in the RFP.

It will be the responsibility of the Apparent Successful Offeror to prepare a draft Contract for the Lottery's consideration, prior to the Commission meeting scheduled for on or about June 27, 2008.

2.3.11 Request for Documents Notice. Upon concurrence with the evaluation committee's recommendation, the procurement officer will issue a "Request for Documents Notice" to the highest scoring Offeror to obtain the required documents/information, such as insurance documents, contract performance security, an electronic copy of any requested material, i.e., RFP response, response to clarification questions, and/or best and final offer, and any other necessary documents. Receipt of the "Request for Documents Notice" does not constitute a contract and no work may begin until a contract signed by all parties is in place. The procurement officer will notify all other Offerors of the State's selection.

2.3.12 Announcement of Successful Contractor. After concurrence by the Commission, and execution of a Contract between the Lottery and the Successful Offeror, the Contractor may issue a press release announcing selection of the successful Offeror with the approval of the Montana Lottery.

2.3.13 Contract Execution. Upon receipt of all required materials requested in the "Request for Documents Notice," a formal contract as well as the highest scoring Offeror response to the RFP, will be provided to the highest scoring Offeror for signature. The highest scoring Offeror will be expected to accept and agree to all material requirements contained in the contract and set out in Appendices of this RFP. If the highest scoring Offeror does not accept all material requirements, the State may move to the next highest scoring Offeror, or cancel the RFP. Work under the contract may begin when the contract is fully executed and is signed by all parties.

2.4 STATE'S RIGHTS RESERVED

While the State has every intention to award a contract as a result of this RFP, issuance of the RFP in no way constitutes a commitment by the State of Montana to award and execute a contract. Upon a determination such actions would be in its best interest, the State, in its sole discretion, reserves the right to:

- Cancel or terminate this RFP (section 18-4-307, MCA);
- Reject any or all proposals received in response to this RFP (ARM 2.5.602);
- Waive any undesirable, inconsequential, or inconsistent provisions of this RFP which would not have significant impact on any proposal (ARM 2.5.505);
- Not award if it is in the best interest of the State not to proceed with contract execution (ARM 2.5.602); or
- If awarded, terminate any contract if the State determines adequate state funds are not available (section 18-4-313, MCA).

2.5 NON-EXCLUSIVE RIGHTS

It is the intention of the State to award one contract for this RFP. However, if the State decides that the development, manufacture and delivery by another Offeror is in its best interests we reserve the right to contract and purchase the same, and such action will not infringe upon nor terminate the specific requirements in a contract resulting from this RFP.

2.6 **PROPOSAL REQUIREMENTS**

2.6.1 Default. Failure to perform according to this RFP and/or resulting Contract SHALL be cause for the Contractor to be found in default.

2.6.2 Usufruct. If, for any reason other than breach of Contract by the Lottery, the Contractor should lose its ability to service a Contract resulting from this RFP, the Lottery acquired usufruct in all Contractual items owned by the Contractor in conjunction with the Contract and which are necessary to provide such services. The usufruct is limited to the right of the Lottery to possess and make use of such Contractual items solely for the use and benefit of the Lottery in operating, maintaining, altering, and improving the programs and systems being used by the Lottery under the Contract. Such usufruct is limited in time to the duration of the Contract, and any extension thereof, and in scope for programs, systems, and other items being used by the Lottery under the Contract.

2.6.3 Hold Harmless/Indemnification. The Contractor agrees to indemnify the state, its officials, agents, and employees, while acting within the scope of their duties as such, harmless from and against all claims, demands, and causes of action of any kind or character, including the cost of defense, arising in favor of the Contractor's employees or third parties on account of bodily or personal injuries, death, or damage to property arising out of services performed, goods or rights to intellectual property provided or omissions of services or in any way resulting from the acts or omission of the Contractor and/or its agents, employees, subcontractors or its representatives under this or a subsequent Contract, all to the extent of the Contractor's negligence.

2.6.4 Patent and Copyright Protection. The Contractor, at its sole expense, must defend all suits brought against the State, the Lottery, or its agencies or employees for the infringement of the United States patents or copyrights by the Contract items furnished under the Contract, and must satisfy any monetary judgment rendered against the State, the Lottery, or its agents or employees for such infringement.

The Lottery shall give the Contractor prompt written notice of any such suit and shall reasonably cooperate with the Contractor in the defense of such a suit, at no cost or expense to the State, the Lottery or its agents or employees.

If an item furnished by the Contractor becomes the subject of a lawsuit or claim of infringement of a United States copyright or patent, or the Contractor becomes aware that such item is likely to become the subject of a lawsuit or claim of infringement, Contractor must immediately notify the Lottery in writing, and, without diminishing Contractor's obligation to defend the Lottery against such claim and to satisfy any monetary judgment rendered against the State, the Lottery, its agents or employees, Contractor may exercise one of the following options in order to provide the Lottery with continuous, uninterrupted use of equipment for the purpose of and contemplated by the Contract:

- A. Obtain for the Lottery the right to continue the use of the infringing item at no cost to the Lottery; or
- B. Substitute for the alleged infringing item other equivalent or better item deemed satisfactory to the Lottery, at no additional cost to the Lottery; or
- C. Agree to an alternative acceptable to both the Contractor and the Lottery.

In the event that the use of an item furnished under the Contract is prevented by preliminary and/or permanent injunction, or in any other manner, Contractor must immediately, upon notice of the action preventing the Lottery's use of the item, exercise one of the options itemized above so as to provide the Lottery with continued, uninterrupted use of equipment as contemplated by the Contract, at no additional cost to the Lottery.

2.6.5 Offeror Compulsive Gambling Programs. The Offeror must provide a statement relating to its commitment to compulsive gambling programs in Montana.

2.7 INSURANCE AND BONDING REQUIREMENTS

Contract Performance Security

2.7.1 Proposal Bond. According to MCA Title 18, Chapter 4, and Part 3; Title 30, Chapter 5, Section 2; and ARM 2.5.502, state Contracts for the procurement of services may require a bid (Proposal) surety. Each Proposal MUST be accompanied by security made payable to the State of Montana. The security SHALL be in an amount of not less than fifty thousand dollars (\$50,000), in one of the forms listed below. Only the following types of security are acceptable and must be in original form. Facsimile or photocopies are not acceptable:

- A. A sufficient bond with a licensed surety company authorized to conduct business in Montana as surety; or
- B. Lawful money of the United States; or
- C. An irrevocable letter of credit not to exceed one hundred thousand dollars (\$100,000), a cashier's check, certified check, bank money order, bank draft, certificate of deposit, or money market certificates, drawn or issued by a federally or state chartered bank or saving and loan association that is insured or that is drawn and issued by a credit union insured by the national credit union share insurance fund. Personal or business checks are not acceptable.

Any Offeror failing or refusing to enter into the Contract resulting from the RFP shall forfeit said Proposal security. Performance Security will be returned to unsuccessful Offeror upon award of Contract.

2.7.2 Litigation Bond. Each Offeror must submit with its Proposal, a Litigation Bond executed by a surety company authorized to do business in the State of Montana, in the amount of one million dollars (\$1,000,000). A claim upon the bond may be made by the Lottery if:

- A. The Offeror sues the State of Montana, the Lottery Commission, or any employee of the Lottery over the award of the Lottery Instant games Contract.
- B. The Offeror loses the suit; and
- C. A court determines that the action or any portion thereof was frivolous, or was brought in bad faith, or was not brought upon any reasonable grounds.

The purpose of the bond is to discourage frivolous lawsuits by permitting the Lottery to recover damages resulting from a frivolous lawsuit. The bond SHALL remain in effect two years from the Proposal submission date. Offerors may request and the Lottery may grant a release of the bond after six months from the Proposal submission date in return for a release and covenant not to sue in a form acceptable to the Lottery, signed by the Offeror, notarized, and accepted by the Lottery.

The successful Offeror may request such release, and release may be granted at the time of Contract execution.

2.7.3 Performance Bond. According to Section 23-7-211, MCA, when a Contract is awarded by the Lottery, a performance bond executed by a surety company authorized to do business in the State of Montana,

in the amount of five hundred thousand dollars (\$500,000), must be delivered to the Lottery. The delivery must take place prior to the signing of the Contract. The bond must be maintained in full force for the term of the Contract. The Contractor must pay the cost of the bond. The Lottery reserves the right to inspect any underlying agreement between the surety company and the Contractor. The Lottery reserves the right to review or reject any surety company.

2.7.4 Fidelity Bond. The Contractor will be required to maintain, during the life of a Contract resulting from this RFP, a fidelity bond executed by a surety company authorized to do business in the State of Montana, in the amount of two million dollars (\$2,000,000) covering any loss to the Lottery due to any fraudulent or dishonest act on the part of any officer, employee, agent, or subcontractor of the Contractor.

2.7.5 Insurance. The Contractor shall maintain for the duration of the Contract, at its cost, primary insurance coverage against claims for injuries to persons or damages to property including contractual liability that may arise from work performed under this Contract. This insurance shall cover such claims as may be caused by any act, omission, or negligence of the Contractor or its officers, agents, representatives, assignees, or servants.

The Contractor must provide a certificate for Commercial General Liability and Commercial Automobile Liability (Occurrence Coverage), to include bodily injury, personal injury, and property damage with combined single limits of one million dollars (\$1,000,000) per claim and five million dollars (\$5,000,000) aggregate per year, from an insurer with a Best's Rating of no less than A. This certificate must name the State of Montana as an additional insured under the Contractor's policy including general supervision, products, premises and automobiles used.

2.7.6 Errors and Omissions Insurance. The Offeror must obtain an errors and omissions liability insurance policy for the term of the Contract in the amount of three million dollars (\$3,000,000) for Offeror liability for payment of prizes due to over redemption made necessary by any act of omission by the Offeror.

Subject to the policy limits set forth above, coverage must be obtained to indemnify the Lottery or any person or entity claiming through the Lottery for one hundred percent (100%) of any prizes the Lottery or any other person or entity claiming through the Lottery becomes legally obligated to pay in excess of the value of all planned winning tickets in the particular lottery game for winning tickets manufactured by the Offeror that are not on the high-tier validation file or are duplicates of valid winning tickets. In establishing over redemption, the Lottery shall be required to allow the Contractor to examine such tickets. The Contractor shall not be liable for altered or counterfeit tickets which, through no fault of the Contractor, its agents or employees, are paid by the Lottery or its retailers or for any errors by the Lottery or its retailers as to the amount of the prize to be paid for a given ticket.

Where the Lottery enters into an agreement with another entity to co-promote a game, the Contractor will provide coverage to indemnify that entity for legal obligations it or the Lottery may be required to pay for prizes, gifts, bonus coupons, or tickets manufactured by the Contractor.

2.7.7 Lottery Expenses. Subject to the policy limits set forth above, coverage must be obtained to indemnify the Lottery for actual incurred expenses (e.g., advertising, promotion, etc.) for which the Lottery does not receive full value because the Lottery discontinues a game due to poor manufacturing quality of the tickets, deviation from the approved prize structure, identification of winning tickets before play, or any other defect in connection with the production of the Lottery's Instant tickets.

A Certificate of Insurance, indicating compliance with the required coverage's must be filed with Print Services within ten working days of Notice of Award.

2.7.8 Workers' Compensation/Independent Contractors Exemption. The Successful Offeror is required to supply Print Services with proof of Workers' Compensation Insurance or Independent Contractors Exemption covering the Contractor while performing work for the State of Montana, reference 39-71-

120/401/405 MCA. Neither the Contractor nor its employees are employees of the Lottery. The proof of insurance/exemption must be valid for the entire Contract period and must be received by Print Services within ten working days of the issuance of a Notice of Award.

Coverage may be provided through a private carrier or through the state Compensation Insurance Fund (406) 444-6500. An exemption can be obtained through the Department of Labor, Independent Contractors Exemption (406) 444-1446.

2.7.9 Insurance Delivery. Errors and omissions insurance must be effective upon initiation of the first instant game produced under the Contract resulting from this RFP and continue until one year after Contract expiration. Public liability and automotive insurance must be effective within ten days after the Contract's effective date. The Contractor must provide the Lottery with certificates evidencing all such insurance. The cost of the insurance is to be paid by the Contractor.

At the time of delivery of certificates of insurance, sample copies of the policies must also be provided, if available. The sample policies must include all of the riders and boilerplate language provisions intended to be used in the policies that will be delivered. Failure to provide certificates of insurance and sample copies of the policies is not a waiver of the Lottery's right to inspect and reject any insurance terms upon receipt and inspection.

If certificates without sample policies or actual policies are accepted by the Lottery, then any boilerplate language, standard rider language, or any other language that is even remotely inconsistent, different, or not expressly provided in the Contract is void.

A Contract will not be issued to who fail to provide the required documentation within the allotted time frame.

Contractor's Responsibilities:

The Contractor shall keep informed of, and shall comply with all applicable laws, ordinances, rules, regulations and orders of the City, County, State, Federal or public bodies having jurisdiction affecting any work to be done to provide the services required. The Contractor shall provide all necessary safeguards for safety and protection, as set forth by the United States Department of Labor, Occupational Safety and Health Administration.

2.7.10 Liquidated Damages. If the Contractor does not provide or perform the requirements referred to in this subsection, damage to the Lottery will result. Proving such damages would be costly, difficult, and time consuming. The assessment set forth below represents a good faith effort to quantify the range of harm that could reasonably be anticipated at the time of Contract signing.

Liquidated damages may be assessed at the discretion of the Lottery. Any and all liquidated damages that may be assessed by the Lottery are due within 30 days after written notification by the Lottery. The Lottery may, at its discretion, withhold liquidated damages from payments due to the Contractor. The Lottery reserves, without limitation, the right to enforce or to seek other remedies for failure to perform any contractual duty.

- A. It is hereby specified that for each game whose delivery is late by one working day from the time specified in the Working Papers, for that game which is not the result of *force majeure* and which results in the delay of the scheduled start of a game, or in a shortage of tickets to distribute to retailers, the contractor may be assessed liquidated damages at the discretion of the Lottery.
- B. Should the result of any test or inspection by the Lottery identify tickets that fail to meet the requirements contained in Section 3, Ticket Specifications/Game Requirements/Security Issues,

and the game tickets found to be nonconforming may be rejected at any time during the life of the games. The Lottery will specify the number of rejected tickets it wishes to have replaced and/or the number for which it wishes to obtain credit. The Contractor will replace the tickets within a reasonable time, not to exceed 30 calendar days, after written notice. If the Lottery provides the Contractor with a notice of possible interruption of sales due to rejected tickets, the Contractor shall cure any such nonconforming delivery within a reasonable time, not to exceed 30 calendar days, under the circumstances.

2.7.11 Force Majeure. A party is excused from any breach or default with respect to the Contract to the extent that the party was prevented from performance by reason of anything beyond the party's control and not reasonably avoidable, such as a strike or other labor disturbance, and act of any governmental authority or agency, fire, flood, wind, storm, or any act or omission of any third party not controlled by that party.

Neither the Contractor nor the Lottery is liable to the other for any delay or failure of performance under the Contract resulting from this RFP due to a force majeure. Any such delay or failure of performance does not constitute default or give rise to any liability for damages. The existence of such causes for delay or failure extends the period from performance to such extent as determined by the Lottery to be necessary to enable complete performance by the Contractor if reasonable diligence is exercised after the cause of delay or failure have been removed.

2.7.12 Venue. This RFP is governed by the laws of Montana. The parties agree that any litigation concerning this bid, proposal, or subsequent Contract, must be brought in the First Judicial District in and for the county of Lewis and Clark, State of Montana, and each party shall pay its own costs and attorney's fees. (Ref. 18-1-401, MCA)

2.8 OTHER REQUIREMENTS.

The following are additional requirements of this RFP.

2.8.1 Ticket Purchase and Prize Payment Restrictions. No officer or employee of the Contractor or of any subcontractor or any person residing in the household of such officer or employee may purchase lottery tickets or be paid a prize in any lottery game or any multi-state game in which Montana participates. The Contractor warrants that this requirement is made known to each officer and employee of the Contractor and of any subcontractors.

2.8.2 Audit. In accordance with Section 23-7-411, MCA, the office of the Montana Legislative Auditor will conduct or have conducted a comprehensive audit of all aspects of security in the operation of the Lottery biannually. The Contracted services provided as a result of this RFP are subject to this security audit.

Access to appropriate facilities must be made available at any time for auditing purposes to the Montana Legislative Auditor during the Contract period and any extension thereof.

The Contractor will not charge to the Lottery any costs incurred as a result of an audit. Such costs include, but are not limited to, computer time and report generation.

SECTION 3: SCOPE OF PROJECT

3.0 OVERVIEW OF PROJECT

The Lottery desires to enter into a Contract with a qualified Contractor to provide scratch tickets games and related services to include, but not limited to ticket design, production, security and delivery to the Lottery's warehouse and marketing support for scratch games.

The contractor will assist the Lottery with the overall operation of the scratch ticket program with the goal of increasing sales and revenues for the State. Providing industry research, information on successful or new products and any additional information that would assist the lottery in offering products to meet or exceed the above goal.

The Montana Lottery is interested in working with the Contractor to test new products, games or ideas. The Lottery is also interested in the possibility of remote press checks and sign-offs to save travel related costs. The Lottery is further interested in the possibility of printing multiple games at the same time to save costs.

3.1 REQUIRED SERVICES

The following sections describe the scope of work for providing scratch games and related services. The contractor shall deliver all requirements and shall be responsible for all technical functionality and business support.

Proposals submitted in response to this RFP must thoroughly address each item in sufficient detail so the Lottery can properly evaluate the respondent's capability to provide them.

3.2 MONTANA LOTTERY SPECIFIC REQUIREMENTS

The Montana Lottery has two requirements unique to Montana. The Lottery plans to continue the use of both the following requirements due to the popularity among retailers and players statewide.

3.2.1 PDF 417 Multi-Dimensional Barcode. The Montana Lottery is the first U.S. Lottery to use Failsafe™ which incorporates the PDF 417 Barcode for validation. This process provides several capabilities necessary to manage Lottery operations: improved validation speed, reduction of clerk thefts through elimination of the possibility to micro-scratch PIN numbers, reduction in cut and paste activities, and the ability to use ticket self verification devices (ticket checkers). These capabilities have changed both our marketing and security operations in Montana over the last two and half years in a very positive direction.

This Failsafe™ process is a patented product. Offerors are required to list the cost to the Lottery for continued use of this type of technology or an equal or better secure validation process in their response to this RFP.

3.2.2 Numbering Tickets. The Montana Lottery uses a unique number system on all packs of tickets. It is a three-digit number, which is printed upside down on the top of the ticket front starting with the highest number in the pack with the last ticket number being 001. We developed this system for Lottery retailers. This is for inventory control utilized by our retailers. A retailer can tell at a glance exactly how many tickets are remaining in each pack, which eliminates any addition or subtraction by the retailer.

Offeror's are required to list the cost if any to the Lottery for continued use of this numbering system on packs of tickets in their response to this RFP.

3.3 SCOPE OF WORK

The contractor shall perform all requirements specified in this section.

3.3.1 Offeror Capacity. Describe the following:

- A. Offeror capacity to produce approximately 10 million tickets per year with varying amounts in each game while meeting contractual obligations to other customers.
- B. Offeror capacity to produce tickets that meet all contractual obligations set forth in this RFP.
- C. Offeror ability to develop, print, finish and deliver tickets for the Lottery. Offeror must propose a delivery timetable for use during this contract. It is highly desirable that the offeror provide quick turnaround times from concept to production and delivery of product to the Lottery. The timetable should include delivery time of draft working papers and the number of days to schedule printing and time needed to deliver tickets after the execution of final working papers.

3.3.2 Overview of Game Manufacturing Methods: Offerors must provide a detailed description of the methods to be employed in the manufacturing of tickets. Each of the major manufacturing steps must be identified and described. Emphasis on security procedures and controls must be elaborated upon in the Offerors response.

3.3.3 Graphics and Creative Design Capabilities. Describe the following:

- A. Offeror capability for designing ticket graphics that make an impact and are eye catching. This description should include its approach and philosophy to designing tickets as well as technical resources and expertise the offeror has to produce these high quality and marketable ticket designs.
- B. Offeror printing capabilities in terms of display colors and graphics, four color, Mega color or similar technology for overprint and graphics, as well as imaged fonts and graphics used for the play area.
- C. The Montana Lottery designs most scratch games sold in Montana. Describe Offerors ability to work with the Lottery designers and original ticket designs.
- D. List Offerors graphic design computer platforms and graphic design software used in the process of designing tickets.

3.3.4 Special Production Capabilities. Offeror shall describe unique tickets that it can produce. These can include but are not limited to tickets with such features as die-cuts, unique packaging, four-color print on front and back of tickets, scored tickets, tickets with stubs, additional play areas, etc.

3.3.5 Proprietary Capabilities. Offeror shall provide information on capabilities that are proprietary to them even if not part of the specific topics or areas listed.

3.3.6 Game Programming Capabilities. Describe the following:

- A. Game programming capabilities and provide examples of programming scratch games that provide all types of play action, play styles unique to offeror none of which is predictable to players.

- B. Discuss how a game's prize structure is programmed, how prizes are randomly distributed, how high, mid and low tier prizes are distributed to ensure prize are evenly distributed throughout the games, and how the Offeror avoids mid and high tier winners from grouping together within a pack.
- C. The Montana Lottery currently uses dual pass on Crossword, Bingo and Slingo. Offeror should include a description of its capabilities to program these games so that only a few tickets hold identical combinations of numbers or words. Offeror may suggest alternatives to the dual pass process on these games and will send samples of the alternatives suggested. Include pricing on both dual pass per thousand and suggested alternatives.
- D. Each ticket will contain a Failsafe™ or an equal or better secure PDF 417 Barcode. This barcode will contain the three-digit game number (GGG), five-digit book number (BBBBB), and three-digit ticket number (TTT), seven-digit VIRN number (VVVVVVV) and three-digit PIN number (PPP).

The Failsafe™ PDF 417 barcode (or an equal or better secure process) is printed in the play area and covered with latex for live games.

Specifications:

Height: .1333 inches (32 jets)
 Total Width: 1.283 inches (308 jets, not including quiet zones); including start and stop characters.

The Failsafe™ PDF 417 Barcode (or an equal or better secure process) must be printed on the four-inch side of the ticket and must be placed as follows:

Placement of coarse and fine codes:

The useful area is a bit smaller if dense or lower quality codes are read. Codes of 6.6mils to 10mils line width will need to be placed within the tighter area. Coarser but still good quality codes can be placed within the entire reading area.

Offset placement of the codes relative to paper centre axis must be taken into account. The optimal position for the codes in the left-right direction is on the paper centerline. If deviations from the centerline cannot be avoided, then all the possible placement cases should allow for presentation of the barcode within the useful area that allows reading of the codes whatever the alignment may be.

Summary:

Vertically (top-bottom axis) the codes must be within

- 3mm to 30mm from paper edge (coarser than 10 mil codes)
- 3mm to 26mm from paper edge (10 mils or finer)

Horizontally (left-right axis):

- Optimal placement in the center. If offset placement is used, paper size must be accounted for.
- +/- 37.5mm from centerline (coarser than 10 mil codes) - 75mm total width
- +/- 33mm from centerline (10 mils or finer) - 66mm total width

- E. The PIN number is a 3 digit PIN number that will float horizontally above and below the play symbols of the PDF 417 barcode as necessary.

The size of each character will be 18 jets by 18 jets. The total size of the PIN number will be 18 jets high by 54 jets wide.

- F. Currently the Lottery has an Interleave 2 of 5 barcode on the back of each ticket using the full accountability production process, containing a 20 digit interleaved two of five barcode which

includes a three-digit game ID, the five-digit book number, a three-digit ticket number, a seven-digit compressed VIRN and a two-digit check digit. The barcode is ink jet imaged on the back of the ticket.

The barcode check digit is calculated utilizing the game, pack, ticket, and VIRN number.

- G. The Lottery also requests that pack weight be included on the Game Definition File.
- H. The retailer validation codes consist of three alpha characters placed in a variety of locations under the scratch covering of each ticket of each prize. The retailer validation codes must float in the play areas and be positioned with respect to the design of the ticket in locations that complicate picking techniques. The code is used by the retailers to sight validate. The Lottery has static reserved retailer validation codes ranging from free ticket(s) up to \$50 prizes. The retailer validation codes will be provided to the Contractor. If the Offeror is aware of a better method include it in the response.
- I. During the term of the contract offeror must allow for advances in technology such as RFID tag technology (Radio-frequency identification).

3.3.7 Ticket Back Printing. Currently the Lottery has an Interleave 2 of 5 barcode on the back of its tickets which include human readable numbers below the barcode. This barcode can be used for validation in conjunction with the numbers on the front of the ticket and the then the pin numbers on the front of the ticket.

The Lottery would like to start using the PDF 417 on the back of the tickets instead of the Interleave 2 of 5 for inventory control. List the cost for both methods in the cost section of offeror's response. In addition, list the additional paper stock price for C2S if that is required using the PDF 417 on the ticket back. The Lottery will still use the barcode for validation in conjunction with the numbers on the front of the ticket and the then the pin numbers on the front of the ticket.

The ticket back also contains a price point specific Universal Product Code Symbol. The Lottery pays the fee directly to the Universal Code Council, Inc. for use of these codes. The offeror is not responsible for these costs.

The price point of each Scratch game is screened on the back of all instant tickets as specified in the working papers.

Game play instructions are inherently small on the ticket; lettering must be clean and crisp allowing for ease of reading by the consumer.

3.3.8 FTP File Transfer. The Contractor will generate the required game files once a game is produced and balanced. After internal review and validation of the files and associated reports, the Contractor will place these files on their Secure FTP site. An email will be sent by the Contractor to the individuals designated by the Lottery Security Director informing them of the files availability. The designated individuals will then access the site using their pre-assigned account and secure access ID.

3.3.9 Quality Control Plan. The contractor shall employ quality control procedures to ensure that all scratch tickets delivered meet the specification and requirements of the resulting contract. The contractor shall employ 100% visual inspection of the game tickets and shall implement procedures for the visual observation of the application of the covering material, release coat and game data application. In addition to the above, Offeror is to provide a detailed plan for quality control, which, at a minimum, includes the following:

- A. How is numbering on a scratch game accomplished?

- B. How are the numbers or letters controlled to ensure error free results in games such as Crossword, Bingo and Slingo?
- C. How is the second pass of numbering and or lettering accomplished to match symbol under the latex.
- D. Explain the numbering, lettering or symbol printing, which relates to game play.
- E. Describe the procedure for visual inspection of scratch tickets, observation of the covering material, release coat and game data.
- F. Explain the check system followed to ensure that game submittals are accurate and loaded to the FTP sites so each of the three FTP sites receive the appropriate information.
- G. Explain the information on scratch tickets for claims validation of winning tickets and for reconstruction of game data on a ticket if the ticket is mutilated or unreadable.

3.3.10 Prize Structure(s). The Contractor shall recommend the best possible prize structures to maximize Scratch ticket game sales and net income. The Contractor shall guarantee that each book of tickets is produced based on the randomization of all prizes. The Contractor shall propose the various levels of prizes and the combination of wins available in the game, the probability of winning prizes, the number of winners, and the cost of such prizes. The prize structure shall include, but not be limited to the following:

- A. Game name, number, date and version;
- B. Ticket price point;
- C. Production quantity;
- D. Revenue generated;
- E. Percent of prize payout;
- F. Each tier level for prizes and play action indicating how each tier is won;
- G. Overall probability of winning any prize in the game and consolidated probability if there is more than one way to win a prize;
- H. GLEPS Prize Pattern within the books;
- I. Strings of non-winning tickets not to exceed 3 times of overall odds.
- J. Number of winners per book;
- K. Prize cost and the percent of prize fund dedicated to each prize level, subtotaled by low, mid and high tiers as indicated in the working papers;
- L. Book size;
- M. Total number of books; and
- N. Ticket size.

The prize structure shall be submitted to the Lottery Contact electronically in changeable format (which will be able to be changed or revised by the Lottery) and shall be accompanied by an explanation regarding the various details of running the game. The Lottery shall review the proposed prize structure and may indicate changes or instructions. The contractor shall then produce the game in accordance with the final approved prize structure.

3.3.11 Working Papers. The working papers must contain the following information:

- A. Game, date, and version.
- B. Detailed ticket description and artwork, including covered and uncovered art for the front of the ticket including barcode information.
- C. The ticket back will have barcode information; the UPC/EAN-13, screened back price point, and game play instructions.
- D. Detailed game specifications including prize structure and programming parameters.
- E. Imaging fonts, layout information for the front and the back of the ticket including validation code location, numbering on the front and back of the ticket and PIN number location.
- F. Retailer Validation Codes to be used in each individual game.
- G. Nonwinning and high tier codes.
- H. Software parameters and include any parameters specific to the individual game.
- I. Production specifications to include ticket size, quantity, orientation, substrate, Scitex color, lilypad, hidden image security tint, secure areas, bleeds, ticket back UPC/EAN-13 Symbol, hourglass symbol, and any other markings such as ® registration sign, U. S. patent, etc., recyclable symbol, working papers signed date, printing date, shipping date, and delivery to the Lottery's warehouse.
- J. Approximate pricing.
- K. Perforations.
- L. Finishing and shipping specifications (varies based on ticket size) to include: booklet information, fan folding diagram and configuration, ticket back, shrink-wrap, book placement in the carton diagram, carton size, carton labels and label color.
- M. Pallet information to include: amount of cartons per pallet, carton placement and packaging diagram, placement of pallets in the truck trailer, numbering of pallets, and description of pallet labels.
- N. Balancing information.
- O. Shipping and delivering information.
- P. Samples information.
- Q. Miscellaneous and other deliverables schedule that include final art in the appropriate art program of actual covered and uncovered art, draw downs and color composites, uploads to the FTP secure sites and final game rules.

- R. Validation and other lists.
- S. Ticket testing information.
- T. Quality assurance and any other information specific to the game.

All Working Papers shall be approved by the Lottery prior to any ticket production.

The Contractor must provide one draft digital version of the working papers for review and signature. When we have executed working papers the Lottery requires 4 hard bound color copies. We will also require an electronic copy of the executed working papers.

3.3.12 Ticket Stock. The ticket shall be printed on 10-point virgin card stock. The Lottery encourages the use of recyclable paper. The Lottery shall have the right to utilize other ticket stock types offered by the Offeror.

The Lottery prints some games on holographic ticket stock. The Lottery is interested in utilizing the holographic waste from other Lotteries ticket runs whenever possible to achieve cost savings. We understand we are limited to holographic stock on hand at the Contractor's production site. Please consider this in the pricing section of the proposal.

Any ticket stock used in production of the Lottery Scratch games shall not curl, separate, or easily split in a manner that jeopardizes ticket security or integrity. The ticket stock must resist damage from normal handling and normal removal of the scratch covering materials. The Lottery reserves the right to approve ticket stock and any changes in ticket stock.

3.3.13 Inks. Inks shall not smear, run or stain under normal handling or use by consumers, nor shall they be chemically or dermatologically irritating under normal handling and use by consumers. Inks shall be resistant to water and other common solvents except in the latex and overprinting of the latex. Inks shall be of such a nature that there is no offsetting from the front of the tickets to the back of tickets on an adjacent page and vice versa.

3.3.14 Game Play Symbols. The game play symbols shall be legible and uniformly positioned and aligned on the tickets. Symbols shall be easily readable by the public and meet industry standards for height, depending on the particular game design and ticket layout chosen by the Lottery. The Contractor shall be able to supply a variety of styles, sizes and colors. Application of the game play symbols shall be performed in a random manner.

3.3.15 Captions. To provide redundancy for security reasons and to prevent consumer disputes, each game play symbol shall be accompanied by a caption that spells out the game play symbol in smaller type than the symbol itself.

Captions must be clear and correctly describe a play symbol, number, and letter or prize amount.

3.3.16 Protective Coating. The Lottery symbols under the rub-off shall be covered with a transparent protective coating so that the symbols are protected when the consumer rubs off the covering. The protective coating must cover all imaged game data in the play area. The seal coat should be applied after the imaged game data and before the release coat.

3.3.17 Release Coat. The release coat must allow the cover material to be easily and cleanly rubbed from the play area without damage to the game data in the play area.

3.3.18 Background Coating. The areas on which the game data are printed shall contain a background coating. The background coating shall be free of voids, scratches, holes, or marks that complicate

the detection of ticket tampering. The background coatings must adhere to the underlying substrate and must exhibit obvious damage when alteration or de-lamination techniques are attempted.

3.3.19 Rub-Off Material. The rub-off coating material shall be opaque and of such quality as to maintain the security of each of the game ticket's game play symbols. The rub-off material shall appear and feel "smooth and regular to the touch" and shall fragment when removed without causing dusting. The rub-off material shall not be chemically or dermatologically irritating or cause harm to clothing when removed. The rub-off material shall be completely removable by scraping with a coin or other object.

3.3.20 Overprint. Mega color is currently used on the Lottery's overprint and we will accept similar processes. An overprint shall be a regular artistic design to cover game play symbols. The overprint covering game play symbols shall be clear, unblurred and sharp in order to facilitate detection of tampering.

3.3.21 Flood Coat Finish. The display printing on the ticket front must have full coverage of a varnish type coating UV-based inks must be used to provide a shiny finish to the tickets.

3.3.22 Multiple Scratch Areas. The Contractor must be capable of producing scratch tickets with multiple play areas.

3.3.23 Multiple Scenes. The Contractor must be capable of producing scratch tickets with multiple scenes within a scratch game.

3.3.24 Color Pulse. In the cost proposal section list the pricing for color pulsing scratch tickets within a game.

3.3.25 Graphic Pulse. In the cost proposal section list the pricing for a graphic pulse within a scratch game.

3.3.26 Extended Play Games. The Contractor must provide evidence of its ability to produce scratch tickets with extended game play formats.

3.3.27 Shrink-wrapping. Each book of tickets shall be shrink-wrapped so that the book number is visible. The shrink-wrap seam should not cover the barcode. The seams will be on the side of the book.

3.3.28 Shelf Life. Tickets must remain readable, able to be rubbed easily and in good condition regardless of the environment encountered in normal handling and usage for a minimum of 3 years from the delivery date of the scratch game.

3.3.29 Proofs, Color Keys, and Artwork. The Contractor must provide the Lottery with final color artwork, ink draw downs, and play area imaging, color keys, or alternative proofing system that provides an accurate representation of the final product prior to tickets being printed. The artwork and play area must show 100%. The final artwork should be sent to the Lottery within 2 business days of receiving executed working papers.

3.3.30 Ticket Numbering. Each ticket must bear a unique sequential number (for inventory control) that identifies the ticket printed on the back and/or front of the ticket. This ticket number must not be duplicated in the game as a whole. This ticket number includes:

- A. Game number;
- B. Pack number;
- C. Individual ticket number;

- D. Validation number;

Numeration and number location must meet the specification set forth in the Lottery's working papers.

3.3.31 Pack Identification Numbering. Each pack and all tickets within a pack must bear a unique pack identification number for use in controlling distribution and accounting. The Contractor's procedures must be adequate to insure that:

- A. The pack number is the same on all tickets within a given pack;
- B. The pack number is never duplicated within a game;
- C. The ticket numbers are consecutive within a pack; and
- D. No breaks or omissions in ticket numbers exist within a pack.

3.3.32 Ticket Game Number. Each scratch game will be assigned a unique number in the Working Papers. The number assigned will be consecutive.

3.3.33 Rejected Word List. Crossword or other similar games have a rejected word list. No words from the rejected word list may be used on Lottery games.

3.3.34 Problem Tracing. The contractor shall build into its system of game construction a means to be able to trace the extent of any problem in printing, etc., (such as squibs) which may be discovered with a game.

3.3.35 Non-Conforming Tickets. The Lottery may determine that scratch tickets for an individual game(s) are non-conforming, in whole or in part, at anytime during the production, testing, delivery or distribution of the tickets. The Lottery may reject in whole or in part, non-conforming scratch tickets at any time.

Non-conforming tickets are billed back to the contractor at actual cost for a credit to the Lottery, or will be deducted from the next printing bill.

The following list of characteristics is non-conforming and unacceptable to the Lottery. These characteristics include, but not limited to:

- A. Scratches or holes across the rub-off material on a ticket which exposes portions of the hidden play symbols or marks that tend to make the consumer believe that the ticket has been tampered with even if no portion of the play symbols have been exposed.
- B. Rough, uneven covering that does not readily reveal attempts to compromise the ticket by pinpricking or microsurgery techniques.
- C. Coverings that drip into the display printing.
- D. Coverings that smear or fail to come off when scratched.
- E. Overprint designs that are not clear and crisply printed.
- F. Perforations between tickets that cause tickets to unintentionally separate with regular handling or loading into any type of dispenser or, in contrast, perforations between tickets that prevent the tickets from separating without damage to the ticket or jamming in any type of dispenser.
- G. Tickets out of order within a book.

- H. More or less than one book within a pack.
- I. Play symbols that are clipped or incomplete.
- J. Validation codes that blend into other printing on the ticket or are partial and hard to read.
- K. Offsetting of inks on rub-off material from one ticket to another.
- L. Rub-off covering that is out of register.
- M. Play symbols that show or any portion of data visible from under the covering.
- N. Play symbols that smear with slight moisture or normal handling.
- O. Play symbols that fail to smear with solvents.
- P. Play symbols that are obliterated during normal removal of the covering.
- Q. Tickets that are not trimmed straight.
- R. Ticket packs that contain a large amount of shavings that falls out when the pack is opened.
- S. Display print designs that are not clearly and crisply printed.
- T. Captions that are not clear or do not correctly describe a play symbol, number, letter or prize amount.
- U. The ability to differentiate a nonwinning ticket or a winning ticket prior to the covering being removed from the ticket.
- V. Covering that require excess pressure of scratching to remove.
- W. Packs with double the shrink-wrap or have wrinkles or seams in shrink-wrap over the barcode area, which prevents accurate barcode scanning.

3.3.36 Guaranteed Low End Prize Structure (GLEPS) Each book of tickets must contain a guaranteed dollar value of low-tier prizes as specified in the working papers. Three to four different configurations of low-tier prizes must be equally and randomly incorporated in the game. The different ways to win a low-tier prize within a GLEPS configuration will be randomly placed within a pack of tickets. Each configuration must have the same total dollar value of low-tier winners, but each will have varying numbers of winners of various denominations.

3.3.37 Validation Interface. The Contractor shall supply the Lottery's current Online Contractor with the following items:

- A. The algorithm and all related computer coded information needed to validate Montana Lottery scratch tickets in the format required
- B. All related computer coded information successfully installed on the Computer Gaming System (CGS) and tested through completion on all aspects of CGS processing, reporting, and ticket recreation

- C. Contractor shall provide weight information for Scratch ticket books to be used by the Lottery in the preparation of shipping packs to the Lottery's retail network
- D. The Contractor shall provide any technical assistance required as needed and an ongoing basis to successfully implement and maintain the algorithm

3.3.38 Read Rate. All barcodes shall achieve a first time read rate of no less than 95%.

3.3.39 Omitted Packs. If any Scratch ticket fails to meet Contract quality, security or integrity requirements the entire book of tickets must be omitted. Omitted books must be reflected in the validation and inventory files. Describe your procedures for handling omits, including accountability, inventory and destruction.

3.3.40 Final Game Rules. Prepare final game rules for each individual scratch game produced for the Lottery. The game rules must be submitted electronically within 5 business days after the final game sign off for each game.

3.3.41 Trademark Search. The Contractor shall conduct trademark and service mark searches for all game names used during the term of the contract and provide to the Lottery a written legal opinion as to the permissible use of each game name based upon a search of registrations and applications for registrations filed with the U. S. Patent and Trademark office, applicable state agencies and other sources at least one week prior to the production of the tickets so that if a question arises as to the use of a particular game name, or play action the Lottery will have sufficient time to change.

Any trademarks or service marks owned by the Lottery do not require a search.

New trademarks or service marks developed for the Lottery shall be the property of the Lottery and will be registered by the Contractor in the name of the Lottery at its direction. The Lottery will pay the cost of the registration and there will be no additional charges to the Lottery by the Contractor for this service. The Contractor shall keep all marks current, active and protected during the term of the contract and any extensions thereof. List cost for this service in Section 5 Cost Proposal.

3.3.42 Attainment of Prize Structure. An End of Production prize structure will be provided which accurately states the total number of tickets and the total number of winning tickets, by prize type, for all prizes contained in the tickets delivered to the Lottery. The only variance between the end of production prize structure and the final approved prize structure to be tolerated will be that which occurs in the omitted books. If the number of tickets omitted alters the prize structure the Lottery may request:

- A. The balanced prize structure after the omits if the Lottery approves the game as is, or
- B. Request a reprint.

All prizes of \$1,000 or greater shall be exact to the approved prize structure unless it is approved by the Lottery.

3.3.43 Game Assistance. Assistance may include but is not limited to, proposing innovative game strategies that utilize different play styles, printing techniques or capabilities, game launch strategies, ticket quantities, research and providing relevant sales information from other lotteries.

3.3.44 Official Ticket Samples Required. Offeror must submit at least 1,000 consecutively numbered tickets as Official Ticket Samples. The samples must be unbroken, consecutive sequence of book numbers.

The official ticket samples must incorporate the actual printing equipment, machinery, programming and all techniques, foil and or cover stock, actual lottery symbols printed using actual inks and actual imaging, actual protective coating, rub-off and overprinting and in general, accurately reflect the Offeror's proposed product.

3.3.45 Ticket Albums. The Offeror shall submit two identical albums with two of each ticket featured, showing tickets produced within the last year to enable the Lottery to evaluate the Offeror's ability to produce high quality, graphically pleasing, and innovative ticket designs. These tickets must not be Montana tickets. Offeror's must include \$1, \$2, \$3, \$5, \$10 and \$20 games using a complete variety of play styles, and must include Bingo and Crossword tickets, scene games, and other specialty games.

The Offeror shall list and describe any currently held proprietary and/or patented printing and production processes, patented game plays or ink technologies, exclusive licensing agreements, licensed properties of any kind, and copyrights, service marks or trademarks.

3.3.46 Other Samples. Offeror shall demonstrate their products by supplying the following:

- A. 3,000 sample tickets with its proposal. These samples must accurately reflect the product offering to the Lottery in response to this RFP and the prices quoted in Section 5 Cost Proposal.
- B. The samples must incorporate all types of paper stock, display printing, ticket symbols, inks, imaging, and protective coating, rub-off material and overprinting used in the production of the tickets proposed.
- C. Provide in detail the card stock, display printing methodology, inks, imaging, security coatings, rub-off material and overprinting used in the production of the tickets proposed.
- D. Tickets submitted as official samples may be from games produced for other lotteries, or they may be sample games printed by the Offeror for sales presentations. However, they may not be computer generated, hand-made, or contrived samples.
- E. Tickets are to be consecutively numbered, undetached, and must contain bar coded information on the front and back of tickets and using UPC/EAN-13 information on the back of the ticket. The sizes of the samples are listed below:
 - 1. 2.5 X 4 inches
 - 2. 4 X 4 inches
 - 3. 4 X 6 inches
 - 4. 4 X 8 inches
 - 5. 4 X 10 inches
 - 6. 4 X 12 inches
- F. Press ticket samples must be submitted. Submit these samples in sheets as they come off the Offeror press. Include the ticket sizes listed above. The sheets of ticket samples must be indicative of tickets produced on the web configuration, which forms the basis for the Offeror pricing.

The Lottery's purpose in requesting press sheets is to learn how each Offeror tickets come off the press. Explain Offeror web configuration and what constraints or limitations are associated with it.

Offeror must describe individual ticket characteristics that would affect the configuration proposal and any changes to it.

3.3.47 Special Production Samples. The Lottery is also interested in a sampling of tickets produced by the Offeror that involves any special production techniques that illustrates the Offeror innovation and unique capabilities. Examples might include games developed for specific target markets, games with unusual tickets, shapes or play formats, games with out-of-ordinary prizes or any other characteristics that set them apart from

general scratch tickets. (E.g. shapes, specialty inks, die cuts, folds, unusual packaging special imaging fonts, etc.) These samples are to be actually produced by the Offeror and not computer generated, hand-made or contrived.

3.3.48 Test Games. Prior to approval of the first game, the Contractor must provide at least two test games. Each game will include low, mid and high tier winners and files uploaded to the FTP site. The size of the test games will be determined at the time of the request.

At any time if the Lottery decides to change any portion of the gaming operation that affects Scratch ticket processing, the Contractor will provide additional sample games for testing at no additional cost to the Lottery. The size and scope of the test games will be determined at the time of the request.

3.3.49 Required Marketing Support. The Contractor shall participate in meetings at the Lottery headquarters to discuss and to make oral or written presentations regarding products, promotions, sales, etc. Topics may include but are not limited to game themes, prize structures, promotional strategies, marketing ideas, analysis of products for the Lottery or other lotteries and sales analysis.

Information the Lottery requires includes, but not limited to the following:

- A. Product plan – the contractor shall develop and write an annual, comprehensive product plan for Scratch games. The plan shall include a proposed game schedule for the upcoming year, including but not limited to price points, top prizes, prize payout, play styles, game themes, and game features. The contractor will participate in ongoing evaluations of the product plan. These evaluations can be by phone or video conference and does not necessarily require travel by the contractor.

For the first contract year the product plan submitted by the contractor shall be revised and finalized within 120 days of the contract award. For succeeding contract years the contractor shall develop the product plan in partnership with the Lottery and its other contractors.

- B. Participation in meetings at the Lottery headquarters to discuss products, promotions, sales, prize structures, promotional strategies, marketing ideas, analysis of products, products used in other jurisdictions and sales analysis.
- C. Submission of a quarterly sales indexing report for Montana.
- D. Industry trends analysis including but not limited to sales of scratch games, promotional ideas, and ideas to increase sales in Montana.
- E. New game ideas, sales information, and trend information within Montana.
- F. Recommendations for holiday games, licensed property games, and any other games along with accompanying sales information and expected revenue projections.
- G. Description of any marketing research to be provided as part of the contract.

3.3.50 Ticket Specifications and Production Requirements. In order to maintain public confidence in the integrity and security of the Scratch games, and to provide maximum marketability of the scratch game tickets, the Lottery requires that the tickets be printed with the highest quality standards.

3.3.51 Travel to Press Checks. The Contractor shall reimburse the Lottery at actual cost for travel, lodging, and meals for Lottery employees to attend color/press approvals. The Lottery will send employee(s) for color/press approvals printing multiple games to save time and expense. If the Lottery does not send staff member(s) to attend a color/press approval the contractor shall provide the Lottery with a credit for the expenses not incurred.

3.3.52 Remote Sign-Off. Due to limited resources the Lottery is interested in remote press checks and sign-offs to reduce time and expenses. Submit a comprehensive plan to the Lottery for review to accomplish the remote press checks and still maintain the quality, integrity and security of each game. Include any savings to the Lottery if we choose to perform remote press checks.

The Contractor will be responsible to provide, set-up and maintain the equipment to conduct a remote sign-off. Identify the equipment that would be used for a remote sign-off, and describe any alternative methods by which the Lottery personnel can approve production of Scratch games.

3.3.53 Lottery's Website. The Lottery is interested in the following for its website:

- A. A program from the Offeror that would identify tickets for second chance drawings. And the ability to verify that the ticket number entered on the website for a drawing is indeed a nonwinner.
- B. We would like to have a game lounge in the Player's Club on the Montana Lottery Website where players can play games offered by the Lottery or and see new game styles.

List the price for the two options above in Section 5 of this RFP.

3.3.54 Market Research. Include Market Research efforts that the Lottery may be interested in and any associated cost in Section 5 of the RFP.

3.3.55 Additional Options. Offeror may submit any additional options that it wishes the Lottery to consider.

3.3.56 Innovative Suggestions and Recommendations. The Lottery invites innovative suggestions and recommendations from the Contractor. Suggestions and recommendations may not substitute for, but should be in addition to, other provision required in this RFP.

3.3.57 New Products, New Technologies and Innovations. The success of the Lottery depends on the availability of new products, features, and services that are consistent with the scope and intent of this RFP. The Contractor must be capable of supporting the Lottery in this mission. The Montana Lottery is interested in working with the Contractor to test new products, games, technical innovations or ideas that are applicable and relevant to this RFP.

The Offeror shall describe resources, capability, capacity and plans for maintaining research and development efforts in such areas.

The Lottery staff will review the new information with the Contractor and will make a decision about incorporating the new information into the contract.

3.4 WAREHOUSE AND DELIVERY

The contractor shall perform all requirements specified in this section.

3.4.1 Warehouse Delivery. Provide a detailed description of Offeror experience with and capabilities to efficiently, and reliably deliver scratch games to the Lottery.

- A. List any games delivered late in the past year. Also, explain why the games were late.

3.4.2 Packaging and Numbering. Splicing within a book will not be allowed or accepted.

- A. Each box must be clearly marked on the outside with the range of ticket numbers contained within, and with a list of any book or range of books omitted during production and a total of all good books.
- B. Shipping boxes for each game must be numbered 001 and up and will contain consecutively numbered books of tickets. Each shipping box will have the game number visible, which is printed on the label and the numbers will be one inch in height. Each carton will be sealed with security tape.
- C. At the time of delivery, the contractor must be able to provide a pallet report and two sets of shipping reports detailing the number of boxes, the number of books with each box, and the number of omissions in each box. To log the tickets the contractor must be able to provide two sets of reports listing all book numbers by box and a second set of all omissions per box electronically.
- D. Each book must be folded so that a front and a back of a ticket are visible as specified in the working papers.

3.4.3 Palletization. Pallets will be constructed to accommodate Lottery warehouse forklift operations.

- A. Pallets will be wrapped, corner and edge protected and contents identified.
- B. Ticket cartons, along with a detailed shipping manifest, will be shipped to the Lottery on pallets.
- C. The contractor must palletize in such a manner to preclude the shifting of package contents.
- D. Boxes with the lowest carton number will be on the top layer of the skid or as determined by the Lottery.
- E. Shipping boxes must be palletized in descending order sequence on the pallets that are supplied by the contractor or to be determined by the Lottery. To avoid damage cartons must not extend beyond the base of the pallet.
- F. Each pallet must have a label that contains a 1/2 inch high game number, number of the tickets on the pallet, 1/2 inch high game name, and the beginning carton number and the last carton number. Carton numbers must be 1 inch high. The lettering for this information must be as specified in the working papers or in customer specifications. Packs contained in the carton must be 3/8 inch high and omitted packs 1/4 inch high.

Provide a sample in the printed label in the response to this RFP.

- G. Each pallet must be numbered with the number of the pallet and the total number of pallets in that delivery e.g., 1 of 10, 2 of 10, etc.

3.4.4 Cartonization. All books must be shipped in sequential order and appropriately identified on the outside of the shipping box.

- A. The Contractor shall include a barcode on each carton of Scratch tickets, which identifies the contents of the carton, so that the Lottery can scan an entire carton of tickets at one time for assignment to a Lottery Sales Representative or a retailer.
- B. Cartons must be of uniform size, be constructed of a minimum 275-pound test cardboard, and not to exceed 30 pounds when fully loaded. Each individual game must have the same size cartons used throughout the game with no variation in size or packaging.

- C. Cartons may not be less than 75% full.
- D. Ticket books must be placed in numerical sequence within a carton.
- E. Each carton shall contain information of the contents therein, indicating the sequential box number, within the entire shipment, from-to book numbers, the number of books in a carton, from-to number of omitted books, and the number of omitted books.
- F. The box number on the carton must be one inch in height.
- G. The book range numbers on the carton label must be between 1/4 and 3/8 inches in height.
- H. All books and cartons must be subject to final inspection process.

3.4.5 Shipment Standards. Tickets must be shipped securely from the Contractor's printing plant and at the Contractor's expense. Multiple games can be delivered in the same shipment.

- A. If shipped by truck the seal is to be broken by the Lottery at the time of delivery. A broken or stretched seal prior to arriving at the Lottery is proof that a load has been tampered with and is cause for rejection of the entire shipment.
- B. Tickets shall be delivered to the Lottery within a maximum of 28 working days from the date the Lottery signs-off on the working papers and returns them to the Contractor.
- C. If the shipment dates differ from that which is stated in the working papers, Contractor must notify the Lottery staff at least one business day prior to shipment departure.
- D. If the arrival time or date changes after departure of the load the Contractor will notify the Lottery staff as soon as possible.
- E. The Offeror may suggest alternative shipping methods that meet Lottery security standards. These methods could include RFID tracking capability.

3.4.6 Shipment Manifest. The Contactor will provide a Shipping Manifest detailing:

- A. Cartons included in the shipment
- B. Packs in each cartons
- C. Packs omitted from each carton
- D. Separate lists detailing which cartons are on each pallet.
 - a. The gross number of tickets.
 - b. Number of omitted tickets.
 - c. Net number of tickets.
 - d. The range of pack numbers and the range of carton numbers.
 - e. Weight of pack.

f. The number of packs in a carton.

E. The seal number of the shipment shall appear on the report in addition to appearing on the bill of lading.

3.4.7 Delivery Tolerance. The Contactor will deliver the order quantity of tickets for each game plus or minus 2%.

A. The Lottery will be billed and pay for the actual number of conforming tickets delivered.

B. Deliveries in excess of the order quantity plus or minus the delivery tolerance will be accepted when approved by the Lottery.

C. Deliveries under the amount of quantity ordered less the delivery tolerance will be accepted with the Lottery Product Managers approval prior to delivery.

D. The Contractor and the Lottery agree that for each calendar day in delay in the start of a game, or in a shortage of tickets to distribute to retailers, attributed to the Contractor, the Contractor may be assessed damages.

E. If a delivery is delayed due to weather the Contractor will call the Lottery staff and make them aware of the situation and when the delayed delivery will be made. The Contractor will not be responsible for weather related delays.

3.4.8 Inventory Control. The Contactor will maintain logs of each games ticket stock inventory between all points of production and the delivery to the Lottery. Logs of all destroyed game ticket stock and game tickets shall be maintained for three years after the end of the contract. The Contractor shall collect the above data as produced or destroyed.

3.4.9 Void Tickets. The Contactor will provide to the Lottery 20 regular sized pack samples from actual initial press run (or as specified by the Lottery). All samples will bear the word VOID in black imaged once above the barcode on each ticket back and will be nonwinners. Each barcode will represent live data for a common ticket and will be reflected by the human readable number. Pack numbering will begin with GGG-XX001-100-000000000.

A. The PIN number will be 000 for samples and will be printed in a box.

B. The Failsafe™ PDF 417 barcode (or an equal or better secure process) on the front of the ticket will contain all 9's.

3.4.10 Lottery Scratch Ticket Testing. Three packs will be provided from each game to be used for testing purposes and are to be selected at random from the large range of ticket packs and identified by number. Those packs will meet the following criteria:

A. One pack will contain a mid-tier winner not to exceed \$50 if applicable.

B. The other two packs will contain only low tier winners.

The pack numbers selected from one game will not duplicate in any other. The tickets will be scratched and then drilled on the graphic portion of the tickets and sent with their respective ticket shipment in a separate carton. For games printed together, several test game tickets may be shipped in the same carton. These packs will remain on the inventory and the validation file as good packs. It is the responsibility of the

Lottery to omit these packs after testing. The Lottery reserves the right to change this information at any time.

3.5 SECURITY

The Contractor shall be responsible for all costs related to a yearly (or as determined by the Lottery) security site visit to any Contractor facility.

3.5.1 Security Plan. The Offeror must demonstrate an understanding of the overriding importance of security in all phases of design, materials procurement, production, transportation, storage, distribution, validation, and disposition of Scratch game tickets; and such understanding is to be made manifest in the procedures, methods, controls and accounting system of the program plan.

It is intended that all sections and paragraphs in this RFP have implied the essential need for security though such may not be explicitly stated. Proposals must make clear and specific the precautions, safeguards, inspections, reporting and other measures which will attend the entire program and its parts. Offerors must specifically note the plant security for ticket production must be approved by the Lottery before production of tickets commences. The Lottery must be convinced that the Offeror has the capability and integrity required to maintain constant vigilance against any breach of security. Failure to meet or to maintain Lottery approved security standards may be grounds for exclusion from further consideration, or if a contract has been awarded, may be grounds for immediate cancellation of the contract.

Subsequent to the award of the contract, it will be incumbent upon the Contractor to notify the appropriate Lottery staff of any potential breaches in product security within 24 hours by telephone to be followed up in writing within 7 days. Failure to notify within this time frame may result in termination of the game and forfeiture by the contractor of payment of game tickets. The Contractor will have 30 days from the date of the official notification to the Lottery to correct any security problem. Failure of the Contractor to correct deficiencies may result in cancellation of the contract.

3.5.2 Plant Security. The Contractor will provide the following security measures for the plant(s) where scratch games are to be produced:

- A. The plant where the scratch tickets are produced shall be equipped with a complete security system. The physical security system should at a minimum be able to control and monitor access to sensitive areas of the plant, detect and report exceptions, alarms and visually monitor and record all production, packaging, storage and waste destruction areas.

In addition, a written security plan shall be prepared by the Contractor and submitted to the Lottery's Security Director for him to approve or disapprove the plan. This plan shall include, but not be limited to security associated with game design, game generation, ticket production, ticket storage, ticket transportation, plant security, data security (including information on security policies/procedures) and the disposal of waste.

- B. The Lottery's Security Director or designee retains the right to inspect and approve or disapprove the plant or facility. The inspection shall include, but is not limited to, a comprehensive review of the facilities physical security systems, waste destruction, and all computer based systems used in the generation and production of Lottery tickets.
- C. A log (physical or electronic) of each visitor to the Contractor's production plant will be maintained.
- D. The contractor must be able to account for all tickets printed.

3.5.3 Information Systems Security. The Lottery requires that the Contractor's computer based systems used in support of the contract have in place security standards such as ISO/IEC 18028-5:2006 or SAS 70 Type II to demonstrate that proper controls are in place within their critical network infrastructure, and that those controls are being enforced. The systems proposed in support of this contract must at a minimum incorporate the following:

A. Information systems security policy.

B. System access controls that provide individual user accountability and authentication; protect sensitive data from unauthorized access; provide an audit trail of access and attempts to access sensitive information; and provide procedures to ensure that employees or subcontractors cannot determine the location of winning tickets.

C. System development and maintenance procedures that provide separation of duties for testing and developing Montana games.

D. An audit trail of all actions and events taken by individual users. The audit logs must be maintained and protected from modification or unauthorized access or destruction.

3.5.4 Employee Security. The Lottery must be advised as to the procedures adopted to ensure that Offeror employees that are involved in the design or production of the Scratch tickets are precluded from ascertaining or being knowledgeable of books containing winning tickets. It is required that employees are subject to background investigations. The proposal must outline procedures that will be implemented to meet this requirement.

3.5.5 Data Security. The Offeror shall provide a written data security plan to the Lottery, detailing the security during the development and production of all computer generated media, software, systems and any other information designated by the Lottery Security Director. The plan should also include information on the type of encryption and decryption used. The plan as well as updates to the plan shall contain the date of creation and/or modifications.

3.5.6 Ticket Security Plan. The Offeror must provide a description of its overall ticket security plan for the production of Scratch ticket games. The plan must include, at a minimum, floating play areas, retailer validation codes, symbol captions, and protective and security coatings.

3.5.7 Security Procedures. The Contractor shall develop security procedures, which meet the highest lottery industry standards to prevent unauthorized entry to scratch ticket production and storage area. The procedures should address all locking and/or alarm devices that secure each critical production and storage area through a window, ceiling or door entry points.

3.5.8 Best Effort. The Lottery recognizes that the Contractor cannot eliminate all risks of ticket or game compromise. However, the Contractor shall make a continuous and best effort to ensure that such risk is minimized.

3.5.9 Security Concerns. Identify possible security concerns associated with the requirements of this RFP and specify techniques for addressing each problem. Discuss any concerns relating to production, quality and/or security for which your tickets and methods of production are susceptible, along with you methods for identifying and resolving problems that may arise in the course of producing a Scratch game.

3.5.10 Laboratory Testing. The Lottery may require that some of the tickets now or in the future be submitted to a third party testing laboratory to assure compliance with the Lottery's requirements. In the event that the Lottery requires the tickets submitted for laboratory testing, the cost of such testing shall be the sole responsibility of the Offeror.

Regardless of the type of ticket design, the final product must be tamper-proof by any practical means.

3.5.11 Security Testing. During every press run of Montana Lottery scratch tickets packs will be tested from the beginning, middle and end of live production of instant tickets. Confirm via email to the Lottery Security staff which packs were omitted for testing, if they passed the security testing and that the final prize structure balanced after these packs were pulled.

3.5.12 Electronic Data Transfer. The validation and inventory files must be transferred to a secured FTP site in a defined manner with only those authorized by the Lottery Security staff. The Contractor will be provided with the procedures for this electronic data transfer process.

3.5.13 Invasive Techniques. It must not be possible to ascertain whether a scratch ticket is a winning or non-winning instant ticket without rendering the scratch ticket un-saleable to the public. The scratch ticket must be easily recognizable as having been tampered with. In particular, it shall not be possible to “see through” the rub-off material with any practical available device or technique including, but not limited to high intensity light, x-rays, infrared, lasers, chemical means, electrical means, photographic means, copy machine intrusion techniques, thermal techniques, solvents, microsurgery or microscopes.

3.5.14 Rub-off or Game Data Covering Material. The rub-off material shall be of an elastomer or comparable base. A dusting type of covering material is not acceptable. The rub-off material and scratch game ticket construction shall be of such quality as to maintain security of each of the scratch games tickets printed game data and shall resist all known optical, chemical, mechanical, thermal and copying intrusions methods.

The rub-off material shall not destroy, mutilate, distort or otherwise interfere with the printed game data or background area when removed and shall be completely removable by scraping or rubbing by various means and shall fragment when removed without causing dusting.

The rub-off material, when removed, shall not cause harm or discomfort to humans or their clothing. The scratch ticket symbols under the rub-off material must be covered with a transparent coating so the printed game data and background area(s) are protected when the consumer rubs off the covering.

Quality control testing of the overprint for each individual game will be done in the presence of security personnel prior to press approval for the games.

3.5.15 Quality Control. The Contractor shall employ quality control procedures to ensure that all instant tickets delivered to meet the specifications and requirements of this contract. The contractor shall employ 100% visual inspection of game instant tickets and shall implement a specific procedure for the visual observation of the application of the covering material, release coat and game data application.

3.5.16 Problem Solving Approach. Describe your problem solving philosophy. Give three examples of past problems and the solutions you developed to address those problems. These examples should be directly relevant to the service required under this RFP. For example include actions taken, timelines and results/outcomes.

3.5.17 Reconstruction of Game Data. The selected Contractor shall provide, upon request by the Lottery's Security staff, the reconstruction of game data on any instant game ticket delivered by the Contractor. Any new technology to reconstruct tickets should be identified with a detailed explanation on how the process works and if there are, any costs associated with this technology. Procedures for requesting reconstruction shall be established between the Contractor and the Lottery.

The contractor shall keep a log of reconstruction requests. This provision shall remain in effect and shall survive the expiration or termination of the contract for five years from the date of the expiration or termination.

Requirements of Game Data Reconstruction:

- A. Offerors are required to advise how they will ensure the reconstruction of the instant game ticket while retaining security.
- B. Accuracy of the reconstruction shall be 100% for all winning scratch game tickets.
- C. The Lottery's Security Director may require the Contractor to reconstruct, in a timely manner, any number of instant game tickets using records in the Contractor's possession.
- D. The selected Contractor is required to provide the format so that no scratch game ticket is reconstructed in error arising out of their procedures.

3.5.18 Destruction of Waste for Omitted Ticket Stock. The Lottery requires destruction of imaged ticket stock at the printing site by shredding, burning or dissolving. The destruction of this omitted ticket stock shall take place within a reasonable period after completion of the games. The material shall only leave the printer's premises when it is no longer identifiable as Lottery material.

The contractor shall maintain a record system to account for the movement; storage and destruction of all omitted ticket stock.

3.5.19 Business Recovery, Continuing Operations Plan, Backup Facilities and Sources. The contractor shall have an up-to-date Business Recovery Plan, which shall be documented, maintained and periodically tested to ensure minimal interruption to service provided to the Lottery in case of emergency or disaster at the Contractor's facility. This plan shall be reviewed and approved by the Lottery.

During the contract term and extensions, the Contractor shall have a plan to provide backup facilities, sources and staffing to ensure that it can always meet its contractual obligations. If there is a delay or disruption of services to the Lottery, it shall be the responsibility of the Contractor to contact the appropriate Lottery staff. All costs associated with the losses are the responsibility of the Contractor.

The Lottery Security Director retains the right to inspect and approve the backup facility. The inspection will include, but not limited to, a comprehensive review of the facility's physical security systems and security policies and procedures, waste destruction, and all information systems used in the generation or production of Lottery tickets.

3.5.20 Production Audit Procedures. The Contractor must maintain complete production records. These must be maintained for two years past the final claim date of each game.

The Contractor must have an audit and certification report for each game completed by an approved outside auditing firm, on the integrity of the programs which produce the image data, the game symbols, compliance with the working papers, and accuracy of the prize structure and that all GLEPS patterns are represented with each game. The report may be submitted electronically.

3.5.21 Certified Public Accountant's Report. The Contractor shall contract with an independent auditing firm, in good standing, to perform a complete post-press audit of each Scratch ticket game that determines compliance with all elements of the games' executed working papers. The report shall be supplied to the Lottery's Security Director within two weeks after the game has printed. The report may be submitted electronically.

3.5.22 Notification Requirement. If as a result of the audit it is determined that sufficient procedures and controls are not in place to prevent jeopardizing game integrity and/or security, or if the game data does not comply with the executed working papers, the Contractor shall immediately notify the Lottery Security Director by telephone and/or other means, followed by written notification. The Contractor shall describe in

writing the steps taken to correct the situation. The Lottery will then determine the adequacy of the steps taken. The Lottery reserves the right to specify additional steps if needed.

3.5.23 Investigation of Problem Tickets. If the Lottery notifies the Contractor that a problem has been detected in a Scratch ticket game the Contractor must make every effort to track the problem and recommend the solution as quickly as possible. If the game has been released to the public, time is of the essence and an immediate solution is paramount to maintain public trust.

3.5.24 Security Inspection. The Contractor shall reimburse the Lottery at actual cost for travel, lodging, and meals for the Lottery Security Director, or his designee, to perform a security inspection once per year. If the Lottery does not send a staff member to attend a security inspection within a year, the Contractor shall provide the Lottery with a credit for the expenses not incurred.

3.5.25 Ticket Destruction and Disposal. The Lottery may request destruction of Scratch ticket games that have been recalled from the field. If it is an error due to the Contractor, ticket destruction and disposal will be at the expense of the Contractor. Describe and submit a plan for collecting such tickets from the Lottery warehouse and disposing of the inventory in a manner that ensures total ticket destruction. The Offeror shall describe their typical process for secure and efficient destruction and disposal.

If the Lottery requests this service from the Contractor due to games ending etc., list the price in the options cost section of the Offerors response.

3.5.26 Alternative Security Processes. If the Offeror has alternatives for the improvement of the security of games or the production processes that may be considered for this RFP a detailed explanation should be include in the response. If during the contract. If alternatives game security or process occur after the contract is awarded it should be brought to the Security Director of the Lottery for consideration along with the Contractors staff.

3.5.27 Future Technologies. During the term of the contract, Offeror must be able to print tickets that allow for advances in technologies. For example new technologies such as RFID tag technology (Radio-frequency identification).

The Contractor is expected to continually monitor the market and to develop, prepare and submit technology enhancements and recommendations as part of the Contract.

The Lottery and the Contractor shall continuously evaluate the most cost-effective, reliable, and market-oriented and secure systems. The Lottery may require the Contractor to incorporate new technology or systems that become available in the future. The emphasis is on stable services that the Contractor can support at the same level as similar products or services already described in this RFP.

3.5.28 Updates and Changes Tested. The Contractor shall ensure that all new programs and any changes to existing programs made by the Contractor shall be provided to the Lottery for testing prior to installation.

3.5.29 Keyed Dual Security. The Lottery is interested in Keyed Dual Security or a similar process in Scratch ticket manufacturing process that addresses the risk of collusion between game distribution and game programming, while allowing full reconstruction services. The process must be audited according to protocols established by the Lottery and the Offeror, and must fully disable the Offerors ability to relate pack value to pack location.

If the Offeror has Keyed Dual Security or a similar process list in Section 5 under the cost options.

3.6 OTHER REQUIREMENTS

3.6.1 Training. The Contractor shall provide training to the appropriate Lottery Marketing and Security staff once per year at the conference/symposium. The contractor will pay or reimburse the Lottery for any travel, lodging, meals, and any training cost incurred for the conference/symposium.

The Contractor will provide staff training to the Lottery for use of remote sign-off, changes in processes or procedures on any additional training that would be useful to the Lottery personnel. The contractor will pay or reimburse the Lottery for any travel, lodging, meals, and any training cost incurred.

3.6.2 Assignment of Contract. The Contract is not assignable except with the prior written approval of the Lottery. Monies payable under the Contract are not assignable except with prior written approval of the Lottery. In the event of such an approval, the terms and conditions shall apply to and bind the party or parties to whom the Contract is assigned as fully and completely as the Contractor is bound and obligated. No assignment if any shall operate to release the Contractor from its liability for the prompt and effective performance of its obligations under the Contract.

3.6.3 End of Contract Transition. It is contemplated that the Lottery, 6 months prior to the expiration of the Contract resulting from the RFP, will award a new contract for scratch ticket printing and services. The parties understand and agree that the Lottery may utilize this time period for extension or conversion. The Contractor shall cooperate fully in good faith in the conversion, which may or may not involve other contractors. If a subsequent contract is awarded to another Contractor, then the Contractor for this contract shall remove from Montana all of its equipment and materials relating to this Contract within a reasonable amount of time agreed upon by the Lottery and the Contractor. Equipment and materials not removed by the Contractor shall be considered abandoned and be disposed of by the Lottery at the cost of the Contractor.

3.6.4 Deliverables and Services Not Originally Defined. The Contractor is obligated to maintain its product and service capabilities. During the contractual period, new products and services may arise that could be beneficial for the Lottery to consider. The terms, schedule, and pricing of such items shall be negotiated.

3.6.5 Approval of Changes to Contractor Supplied Products and Processes. The Contractor may not unilaterally introduce a change to Lottery products, processes, and materials used in the production of or services for Lottery scratch tickets. Such changes must be approved in writing by the Lottery prior to installation or implementation.

3.6.6 Vending Machine Compatibility. The Lottery is considering the installation of Scratch ticket vending machines in Montana. The Contractor, for each game produced, shall be responsible to coordinate and cooperate with the Contractor(s) providing the vending machines to ensure the tickets will dispense easily from the ITVM's.

SECTION 4: OFFEROR QUALIFICATIONS/INFORMATIONAL REQUIREMENTS

4.0 STATE'S RIGHT TO INVESTIGATE AND REJECT

The State may make such investigations as deemed necessary to determine the ability of the Offeror to provide the supplies and/or perform the services specified. The State reserves the right to reject any proposal if the evidence submitted by, or investigation of, the Offeror fails to satisfy the State that the Offeror is properly qualified to carry out the obligations of the contract. *This includes the State's ability to reject the proposal based on negative references.*

4.1 OFFEROR QUALIFICATIONS/INFORMATIONAL REQUIREMENTS

In order for the State to determine the capabilities of an Offeror to provide the supplies and/or perform the services specified in Section 3, the Offeror must respond to the following requests for information regarding its ability to meet the State's requirements. THE RESPONSE, "(OFFEROR'S NAME) UNDERSTANDS AND WILL COMPLY," IS NOT APPROPRIATE FOR THIS SECTION.

NOTE: Each item must be thoroughly addressed. Offerors taking exception to any requirements listed in this section may be found nonresponsive or be subject to point deductions.

4.1.1 References. Offeror shall provide a minimum of five references that are using tickets supplied by and/or services of the type proposed in this RFP within the last year. At a minimum, the Offeror shall provide the company name, the location where the supplies and/or services were provided; contact person(s), customer's telephone number, e-mail address, and a complete description of the service type, and dates the services were provided. These references may be contacted to verify Offeror ability to perform the contract. The State reserves the right to use any information or additional references deemed necessary to establish the ability of the Offeror to perform the conditions of the contract. Negative references may be grounds for proposal disqualification.

4.1.2 Background Investigation. Prior to execution of the Contract, the Apparent Successful Offeror and any and all individuals and firms who will perform work under the Contract MUST pass a background investigation, including criminal history. The Apparent Successful Offeror is responsible for the cost of the investigation. The Lottery is open to discussing alternative means to access this required information.

4.1.3 Résumés/Company Profile and Experience. Offeror shall specify how long the individual/company submitting the proposal has been in the business of providing services similar to those requested in this RFP and under what company name. Offeror should provide a complete description of any Lottery projects, and services provided currently.

A résumé or summary of qualifications, work experience, education, skills, etc., which emphasizes previous experience in this area must be provided for all key personnel who will be involved with any aspects of the contract.

- A. List how you will staff the Lottery's account so that the Lottery's needs are best met. This includes not only identifying positions, functions, percentage of time to be dedicated to the Lottery account, and location of personnel but also each person's background, talents and prior experience to demonstrate how the Offer's team is most advantageous to the Lottery.
- B. Provide a written narrative of how Offeror account personnel will best meet the Lottery's needs. The Offeror should attempt to persuade the Lottery that its team would produce the best results due to its unique combination of personnel.

- C. Offeror must complete and submit a résumé for identifying personnel, function and percent of time for each person assigned to the lottery account. The Lottery will be comparing the relative staff quality of Offeror, it is advantageous to identify all staff and why each is best for the position. Less consideration will be given to those categories where staff is identified “to be determined”. The Offeror must name the account/project manager and is encouraged to identify by name as many of the team as possible.
- D. The Offeror MUST provide the following information:
1. Name and address of business entity making the Proposal. Include email and website address.
 2. Type of business entity (e.g. corporation, partnership).
 3. Place of incorporation, if applicable.
 4. Name and location of major offices, plants, and other facilities that relate to Offeror performance under the terms of this RFP.
 5. Name, address and function of any and all subcontractors, associated companies, or consultants who have been involved in preparation of this Proposal and any and all who are to be involved in any phase of this project. Additionally, identify any such individuals who have had a contractual relationship with the Lottery, or who have subcontracted to a Lottery Contractor within two years prior to the submission of this Proposal.
 6. Name, address, email address and telephone number of Offeror representative to contact regarding all technical matters concerning this Proposal.
 7. Name, address, email address and telephone number of Offeror representative to contact regarding site visit schedule and other arrangements.
 8. Name and location of major offices, plants and other facilities, and related firms, involved in any capacity with wagering activities and descriptions of such activities.
 9. Name and address of sources for raw materials and equipment used to produce Instant products.
 10. Offeror Federal Employer Identification Number.
 11. The Offeror should submit any additional background information that may be helpful to the Lottery in evaluating the Offeror background, resources, experience, and track record with clients in work that is related to the Lottery’s needs.
 12. Name and address of Offeror accounting firm.
 13. Name and address, telephone number, and email address of the Offeror contact regarding all contractual matters concerning the Proposal.
 14. Name of all law firms, lobbyist and individuals representing the Offeror.
 15. The Offeror SHALL provide a complete and detailed description of the Offeror organizational relationship, if any, to a parent company, and any sister company. This description SHALL include but not be limited to:

- a. An organization chart showing the corporate organization, its home office location, and its officers. Other gaming-related projects of organizational units distinct from the Offeror organization, its officers and home office geographic locations.
 - b. A brief description of Contract, projects, or obligations of other gaming-related organizational units responsible to the Offeror parent corporation, if any.
 - c. Any other corporate resource with pertinent project management, lottery gaming systems, or data processing systems design, development, operations and/or maintenance experience that can be called upon by the Offeror to assist with any other lottery Contracts.
16. The Lottery reserves the right to require the removal of any employee of the Offeror or any subcontractor working on functions pertaining to the RFP or Contract if the Lottery finds that any such employee is not performing in the best interest of the Lottery, or who has failed to meet the background requirements necessary for employment with the Lottery.
- E. Offeror MUST disclose in the Proposal the name of any officer, director, or agent, who is or at one time was an employee of the State of Montana. All firms MUST disclose the name of any State employee who owns, directly or indirectly, an interest of five percent (5%) or more in the Offeror firm.
- F. Offeror SHALL provide a minimum of five customers that are or have used services of the type proposed in this RFP. The Lottery reserves the right to use any information or additional references deemed necessary to establish the ability of the Offeror to perform the conditions of the Contract. This listing should include lotteries where the Offeror has successfully completed Instant ticket printing and related services to state or provincial lotteries, preferably within the last three years. Also include any and all services provided and performance rating of stated services. The reference list MUST include:
- 1. Name of Lottery or organization with whom the Offeror has or had a Contract, including the names, titles, address and telephone number of individuals who may be contacted to verify Offeror qualifying experience.
 - 2. Date and amount of each Contract described.
 - 3. Promised delivery dates and actual delivery dates.
 - 4. Annual sales resulting in each jurisdiction.
 - 5. Reason for Contract termination/expiration, if Contract is no longer in effect.
 - 6. The Offeror must state for the previous year the Lottery jurisdictions where the Offeror tickets have been delivered, the number of tickets ordered, and over-redemption of prizes, if any.

4.1.4 Offeror Prior Contract Performance. The Offeror must state whether any of the following have occurred:

- A. The Offeror must disclose any significant problems during the previous five years with delivering tickets as required by a lottery as stated in the executed working papers.
- B. The Offeror must describe any significant problems during the previous five years in producing and/or supplying a game per Contract terms, and what solutions were taken to correct or avoid recurrence of such problems.

- C. During the past five years, has the Offeror had a Contract terminated for default or cause? If so, the Offeror must submit full details including the other party's name, address and telephone number.
- D. During the last five years, has the Offeror been assessed any penalties under any of its existing or past contracts with any state or provincial lottery? If so, indicate the jurisdiction, the reason for the penalty, and the penalty amount of each incident.
- E. If there are any current state or provincial lottery penalties pending, describe the incident(s) involved, the amount of penalties involved, and the status of the assessment.
- F. During the last five years, was the Offeror, or any affiliated firm, subsidiary, intermediate firm, Part Company or holding company the subject of any order limiting the right of the Offeror to engage in any business, practice, or activity; or was trading in the stock of companies ever suspended? Provide dates and complete explanations.

4.1.5 Experience and Qualifications of Subcontractors. The description of experience must be detailed and cover all lottery contracts that the Offeror and any subcontractors have had and all experiences similar to those required by this RFP, which qualifies the Offeror to meet the requirements of this RFP. Included shall be the names, titles, addresses, and telephone numbers of individuals and organizations that may be contacted to verify qualifying experience. Each experience statement shall also include the following:

- A. Types of services directly provided by the Offeror under the Contract and whether the Offeror was the Contractor or subcontractor.
- B. List any subcontractors utilized to fulfill the contracts described. Include name, title, address and telephone number of individuals who may be contacted to verify Offeror qualifying experience.
- C. Lottery reserves the right to approve all subcontractors the Offeror is using to fulfill the Contract.

4.1.6 Method of Providing Services. Offeror shall provide a work plan and the methods to be used that will convincingly demonstrate to the Lottery what the Offeror intends to do; the timeframes necessary to accomplish the work; and how the work will be accomplished to meet the contract requirements as more specifically detailed in Section 3.

4.2 OFFEROR FINANCIAL STABILITY.

The purpose for requiring financial disclosure is to provide the Lottery with enough information to enable it to evaluate the Offeror resources and stability for performance under the Contract. To accomplish this, the Lottery requires the following:

- A. The Offeror shall submit audited financial statements in customary form for its last five fiscal years and any quarterly reports to shareholders for the current fiscal year as required by the Securities and Exchange Commission. Such statements must be the result of an audit of the Offeror records in accordance with generally accepted auditing standards by a Certified Public Accountant licensed to do business in the State of Montana or in the state in which the Offeror principal place of business is located.

The Lottery will not accept financial statements prepared in whole or in part by an accountant who has a direct or indirect financial interest in, or is a director, officer or employee of the Offeror submitting the statements. All such statements shall be so verified by the accountant who prepared the financial statements. Members of the Offeror firm with interests in other

similar or related firms shall explain in a letter to be submitted with the financial statements the extent of its investment and relationship with such firms. If the Offeror is a subsidiary of another corporation, the above information shall also be supplied for the parent corporation. The Lottery reserves the right to require any additional information necessary to determine the financial integrity and responsibility of any Offeror.

- B. The Lottery will conduct an analysis of the Offeror to determine whether, in the Lottery's opinion, the Offeror is financially able to complete the Contract.

Financial information is not considered a trade secret and may not be marked as such. Financial information may be marked confidential.

4.2.1 Financial Documents. The Lottery will review the financial documents submitted by the Offeror and will conduct a financial analysis to determine, to the Lottery's satisfaction, that the Offeror has:

- A. The ability to generate sufficient positive cash flow from other ongoing operations and/or sufficient working capital to cover the lapse between the time the Contractor incurs costs and the Lottery makes payments in connection with some costs or to get through a cash flow shortage or other financial crisis from the Contract or another Contract which would otherwise have significant adverse effect upon the Contractor's operations and interfere with the Contractor's ability to satisfy its obligations under this Contract.
- B. The ability to establish and maintain sufficient reserves against unexpected fluctuations or trends in lottery game revenues, other cost over-rides, or to withstand payment delays or liquidated damage assessments if the deliverables are unacceptable.

During the evaluation, the Lottery may require submission of references to develop an opinion of the Offeror financial condition.

The Lottery reserves the right to disqualify the Offeror from further consideration if the financial statements for the past five fiscal years are not accompanied by an unqualified audit opinion from an independent certified public accountant. The Lottery also reserves the right to disqualify the Offeror if the Lottery determines the Offeror does not have the financial ability to undertake this Contract.

The Offeror must indicate whether any mergers, acquisitions or sales are planned presently or during the year following submission of the Proposal in accordance with SEC regulations.

The Offeror will be notified of any potential problems identified in this evaluation and may be asked to clarify specific issues related to the financial documents submitted.

If an Offeror, who has submitted a Proposal in response to the RFP, experiences a substantial change in financial condition, including change in ownership, prior to the award of the Contract pursuant to this RFP, or if a successful Offeror experiences a substantial change in financial condition, including change in ownership, during the term of the Contract with the Lottery, the Director or his designee MUST be notified in writing at the time the change occurs or is identified.

4.3 PREVAILING WAGES.

The Offeror SHALL comply with all applicable Lottery laws, rules and regulations involving prevailing wages, and will require such compliance by all its subcontractors, including printers. The following text from the MCA is provided for the benefit of responding to this RFP:

Section 18-7-104, MCA, Union Label

- A. "All printing for which the State of Montana is chargeable shall bear the label of the branch of the international typographical union, the allied printing trade's council or the amalgamated lithographers of America of the locality in which it is printed, except under the following conditions. Printing firms not having the use of labels and who are desirous of presenting bids for printing as enumerated above **shall** be required to establish consideration as a responsible bidder as follows:
- B. As a condition to consideration as a responsible bidder, printing concerns must file with the secretary of state, a sworn statement to the effect that employees in the employ of the concern that is to produce such printing are receiving the prevailing wage rate and are working under conditions prevalent in the locality in which the work is produced.
- C. Whenever a collective bargaining agreement is in effect between and employer and employees who are represented by a responsible organization which is in no way influenced or controlled by management, such agreement and its provisions shall be construed as conditions prevalent in said locality and shall be the minimum requirement for being adjudged responsible bidder under this section MCA, 18-7-107, or chapter 4 of this title.
- D. Printing firms having the use of the union labels as set forth above shall be deemed as having complied with the provisions of this section MCA, 18-7-107, or chapter 4 of this title, but nothing in these provisions shall be construed as exempting such bidders from any provisions of this section MCA, 18-7-107, or chapter 4 of this title, and such bidders shall also be required to conform to all provisions thereof."
- E. If an Offeror is claiming compliance with the statute under the provision of one of the above, affidavit forms are available from Print Services of the Department of Administration.

4.4 INTEGRITY.

Integrity of the Lottery is paramount; therefore, the Lottery must assess the competence, integrity, character, reputation, and background of the Offeror. To this end, the Lottery requires the following information:

- A. The details of any felony conviction or gaming related offense, in any jurisdiction, of the Offeror or any person whose name and address are 1) required by this RFP, or 2) who are otherwise, employees who will be involved in the Lottery Instant Ticket Contract, major partners, officers, 5% or greater stockholders, or directors of the Offeror.
- B. The details of any civil adjudication in any jurisdiction, of the Offeror or any person whose name and address are 1) required by the RFP, or 2) who are employees that will be involved in the Lottery Instant Ticket Contract, major partners, officers, 5% or greater stockholders, or directors of the Offeror, whether or not such issues are related to lottery services.
- C. The details of any disciplinary action of a judicial nature relating to gaming taken by any state or person against the Offeror or any person whose name and address are 1) required by this RFP, or 2) who are employees that will be involved in the Lottery Instant Ticket Contract, major partners, officers, 5% or greater stockholders, or directors of the Offeror.
- D. A disclosure of each jurisdiction in which the Offeror has been denied, or had a revoked a gaming license of any kind. All of the facts and circumstances underlying such event(s) of failure to receive a gaming license must be disclosed.

- E. A disclosure of the details of any bankruptcy, insolvency, pending sale, reorganization, or litigation in which the Offeror has been involved, either as a plaintiff or a defendant.

Failure to notify the Director and/or his designee of the above information is grounds for rejecting the Proposal or terminating the Contract.

SECTION 5: COST PROPOSAL

The budget for instant product is approximately \$1.2 million each Fiscal Year. This includes some prizes, all licensed properties and all print costs.

The Lottery has provided a simulated scratch plan for one year adding the cost for materials or services we would expect to use. We will apply the Offeror response to Section 5 for a total projected cost per year for each response to this RFP.

The Lottery will be invoiced by the Contractor as costs are incurred. The Lottery will pay the Contractor the net due upon the receipt of a properly executed invoice. The Lottery is willing to explore payment by electronic funds transfer.

BASE TICKET PRICE – Single Pass Method 2.5”x 4.0” (100 tickets per pack)		
Quantity Ordered Per Game	Foil Stock	Recycled/Recyclable Stock
60,000		
90,000		
120,000		
180,000		
240,000		
BASE TICKET PRICE – Single Pass Method 6.0”x 4.0” (100 tickets per pack)		
Quantity Ordered Per Game	Foil Stock	Recycled/Recyclable Stock
60,000		
90,000		
120,000		
180,000		
240,000		
BASE TICKET PRICE – Single Pass Method 8.0”x 4.0” (40 tickets per pack)		
Quantity Ordered Per Game	Foil Stock	Recycled/Recyclable Stock
60,000		
90,000		
120,000		
180,000		
240,000		
BASE TICKET PRICE – Single Pass Method 10.0”x 4.0” (20 tickets per pack)		
Quantity Ordered Per Game	Foil Stock	Recycled/Recyclable Stock
60,000		
90,000		
120,000		
180,000		

240,000		
BASE TICKET PRICE – Single Pass Method 12.0”x 4.0”		
Quantity Ordered Per Game	Foil Stock	Recycled/Recyclable Stock
60,000		
90,000		
120,000		
180,000		
240,000		

Item	Unit	Description	Unit Price
	1,000	Virgin Coated One Side (C1S)	
	1,000	Coated Two Side (C2S)	
	1,000	Cost per 1,000 to add one additional display color on the back of the ticket (above the one included)	
	Pulse	Additional cost to change ticket color in mid-production (color pulse)	
	Pulse	Additional cost to graphic pulse in mid-production	
	1,000	Die-cut tickets	
	1,000	Pouch games	
	1,000	Books of 100 tickets	
	1,000	Books of 50 tickets	
	1,000	Books of 40 tickets	
	1,000	Books of 20 tickets	
	1,000	Books of 10 tickets	
	1,000	Recyclable/Recycled Cost savings to print 2 games across the web 60,000 Cost savings to print 2 games across the web 90,000 Cost savings to print 2 games across the web 120,000 Cost savings to print 2 games across the web 180,000 Cost savings to print 2 games across the web 240,000	
	1,000	Recyclable/Recycled Cost savings to print 3 games across the web 60,000 Cost savings to print 3 games across the web 90,000 Cost savings to print 3 games across the web 120,000 Cost savings to print 3 games across the web 180,000 Cost savings to print 3 games across the web 240,000	
	1,000	Recyclable/Recycled Cost savings to print 4 games across the web 60,000 Cost savings to print 4 games across the web 90,000 Cost savings to print 4 games across the web 120,000 Cost savings to print 4 games across the web 180,000 Cost savings to print 4 games across the web 240,000	
	1,000	Foil Cost savings to print 2 games across the web 60,000 Cost savings to print 2 games across the web 90,000	

		Cost savings to print 2 games across the web 120,000 Cost savings to print 2 games across the web 180,000 Cost savings to print 2 games across the web 240,000	
	1,000	Foil Cost savings to print 3 games across the web 60,000 Cost savings to print 3 games across the web 90,000 Cost savings to print 3 games across the web 120,000 Cost savings to print 3 games across the web 180,000 Cost savings to print 3 games across the web 240,000	
	1,000	Foil Cost savings to print 4 games across the web 60,000 Cost savings to print 4 games across the web 90,000 Cost savings to print 4 games across the web 120,000 Cost savings to print 4 games across the web 180,000 Cost savings to print 4 games across the web 240,000	
	1,000	Additional cost for MegaColor™, FouReal™ or similar 4 color process	
	1,000	Additional cost for Fluorescent colors (per color)	
	Scene	Additional cost per scene for scene games	
	1,000	Spot varnish gloss coating (water based)	
	1,000	UV spot coverage (high gloss)	
	1,000	UV full coverage (high gloss)	
	1,000	Glitter ink	
	1,000	Four color process on the ticket back	
	Hour	Additional Programming services	
	1,000	Scored tickets	
		Holographic ticket stock	
		Holographic ticket (scrap) stock	
		Proprietary games	
		Failsafe™ PDF 417 barcode (or an equal or better secure process)	
		Failsafe™ PDF 417 (or similar secure process) barcode on ticket back for inventory control and secondary validation	
		Other options as requested by the Lottery	
		Travel, accommodations & meals for one person to Offeror site	
		Lottery Website Games for Player's Club	

		Lottery Website Drawing 2 nd Chance Drawing Program	
		Ticket Destruction and Disposal	
		Keyed Dual Security or similar process	
		Ticket Destruction and Disposal	

SECTION 6: EVALUATION PROCESS

6.0 BASIS OF EVALUATION

The evaluator/evaluation committee will review and evaluate the offers according to the following criteria based on a total of 10,000 points.

The **References, Resumes/Company Profile and Experience, Ability to Meet Supply Specifications, and Method of Providing Services** portions of the offer will be evaluated based on the following Scoring Guide. The **Financial Stability** portion of the offer will be evaluated on a pass/fail basis, with any Offeror receiving a "fail" eliminated from further consideration. The **Cost Proposal** will be evaluated based on the formula set forth below.

Any response that fails to achieve a passing score per the requirements of Section 2.3.5 will be eliminated from further consideration. A "fail" for any individual evaluation criterion may result in proposal disqualification at the discretion of the procurement officer.

SCORING GUIDE

In awarding points to the evaluation criteria, the evaluator/evaluation committee will consider the following guidelines:

Superior Response (90-100%): A superior response is a highly comprehensive, excellent reply that meets all of the requirements of the RFP. In addition, the response may cover areas not originally addressed within the RFP and/or include additional information and recommendations that would prove both valuable and beneficial to the agency.

Good Response (75-89%): A good response meets all the requirements of the RFP and demonstrates in a clear and concise manner a thorough knowledge and understanding of the project, with no deficiencies noted.

Fair Response (60-74%): A fair response minimally meets most requirements set forth in the RFP. The Offeror demonstrates some ability to comply with guidelines and requirements of the project, but knowledge of the subject matter is limited.

Failed Response (59% or less): A failed response does not meet the requirements set forth in the RFP. The Offeror has not demonstrated sufficient knowledge of the subject matter.

6.1 EVALUATION CRITERIA

The major criteria that are critical to the success of this RFP is found in Sections 3, 4, and 5 which include relevant experience, and quality of work, references, security, products, services, physical facilities, human resources, cost, technical capabilities, industry standards, and proposed timelines.

SECTION 1: PROJECT OVERVIEW AND INSTRUCTIONS

Entire Section - Understand and Will Comply

Pass / Fail

SECTION 2: RFP STANDARD INFORMATION & PROPOSAL REQUIREMENTS

Entire Section - Understand and Will Comply

Pass / Fail

2.6.5 Offeror Compulsive Gambling Programs in Montana
Statement Provided

Pass / Fail

SECTION 3: SCOPE OF PROJECT
5500 Possible Points for Section 3

3.0 OVERVIEW OF PROJECT

Understand and Will Comply

Pass / Fail

3.1 REQUIRED SERVICES

Understand and Will Comply

Pass / Fail

3.2 MONTANA LOTTERY SPECIFIC REQUIREMENTS

3.2.1 PDF 417 Multi-Dimensional Barcode

700 Possible Points

Offeror will provide Failsafe™
PDF 417 or an equal or better
secure process

3.2.2 Numbering Tickets

Offeror will provide MTL ticket numbering

Pass / Fail

3.3 SCOPE OF WORK

3.3.1 Offeror Capacity

145 Possible Points

Split total points between
3.3.1 A

10 million MTL tickets / year
Contractual obligations of this
RFP
Production Timetable

25 Possible Points
60 Possible Points
60 Possible Points

A
B
C

3.3.2 Overview of Game Manufacturing Methods

150 Possible Points

Detailed description with
emphasis on security
procedures and controls

3.3.3 Graphics and Creative Design Capabilities

160 Possible Points

Split total points between
3.3.3 A-D

Design Tickets
Printing Capabilities

50 Possible Points
50 Possible Points

A
B

Working with MTL designers
Computer platforms

50 Possible Points
10 Possible Points

C	
D	

3.3.4 Special Production Capabilities

100 Possible Points

Designs and produces unique
tickets with the minimum
features listed

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3.3.5 Proprietary Capabilities

100 Possible Points

Describe Proprietary
Capabilities

--

3.3.6 Game Programming Capabilities

90 Possible Points

Split total points between
3.3.6 A-I

Programming Scratch games
Prize structure programming
Dual pass alternative
Failsafe™ PDF 417 barcode or
an equal or better secure
process
PIN #
Interleave 2 of 5
Pack weight
Retailer validation codes
Advances in technologies

10 Possible Points
10 Possible Points
10 Possible Points
10 Possible Points

10 Possible Points
10 Possible Points
10 Possible Points
10 Possible Points
10 Possible Points

A	
B	
C	
D	
E	
F	
G	
H	
I	

3.3.7 Ticket Back Printing

60 Possible Points

Positive response to all items

--

3.3.8 FTP File Transfer

Statement Provided

Pass / Fail

3.3.9 Quality Control Plan

175 Possible Points

Statement Provided
Split total points between
3.3.9 A-G

Numbering Scratch games
Numbers & letters error free
2nd pass matches 1st pass
Numbers, letters, symbols,
game play
Visual inspection
Accurate info to FTP sites
Validation reconstruction

25 Possible Points
25 Possible Points
25 Possible Points
25 Possible Points

25 Possible Points
25 Possible Points
25 Possible Points

A	
B	
C	
D	
E	
F	
G	

3.3.10 Prizes Structure(s)

140 Possible Points

Statements Provided
Split total points between
3.3.10 A-N

--

Game #, date, version	10 Possible Points	A	
Price point	10 Possible Points	B	
Production quality	10 Possible Points	C	
Revenue generated	10 Possible Points	D	
% of prize payout	10 Possible Points	E	
Tier level, amount & play action	10 Possible Points	F	
Probability to win prize	10 Possible Points	G	
GLEPS patterns	10 Possible Points	H	
Strings of nonwinning tickets	10 Possible Points	I	
# of winners / book	10 Possible Points	J	
Prize cost & % of prize	10 Possible Points	K	
Book size	10 Possible Points	L	
Total # of books	10 Possible Points	M	
Ticket size	10 Possible Points	N	

3.3.11 Working Papers

200 Possible Points

Statements Provided
Split total points between
3.3.11 A-T

Game, date, version	10 Possible Points	A	
Description of art work	10 Possible Points	B	
Ticket back info	10 Possible Points	C	
Game specs, prize structure and programming parameters	10 Possible Points	D	
Imaging fonts & location of data	10 Possible Points	E	
Retailer validation codes for each game	10 Possible Points	F	
Nonwinning and high tier codes	10 Possible Points	G	
Software parameters	10 Possible Points	H	
Production specs	10 Possible Points	I	
Approximate pricing	10 Possible Points	J	
Perforations	10 Possible Points	K	
Finishing & shipping specs	10 Possible Points	L	
Pallet info	10 Possible Points	M	
Balancing info	10 Possible Points	N	
Shipping & delivery	10 Possible Points	O	
Sample (VOID) info	10 Possible Points	P	
Misc. & other deliverables	10 Possible Points	Q	
Validation & other lists	10 Possible Points	R	
Ticket testing info	10 Possible Points	S	
Quality Assurance	10 Possible Points	T	

3.3.12 Ticket Stock

50 Possible Points

Positive response to all items

3.3.13 Inks

Statement Provided

Pass / Fail

3.3.14 Game Play Symbols

Statement Provided

Pass / Fail

3.3.15 Captions

Statement Provided

Pass / Fail

3.3.16 Protective Coating

Statement Provided

Pass / Fail

3.3.17 Release Coat

Statement Provided

Pass / Fail

3.3.18 Background Coating

Statement Provided

Pass / Fail

3.3.19 Rub-Off Material

Statement Provided

Pass / Fail

3.3.20 Overprint

Statement Provided

Pass / Fail

3.3.21 Flood Coat Finish

Statement Provided

Pass / Fail

3.3.22 Multiple Scratch Areas

Statement Provided

Pass / Fail

3.3.23 Multiple Scenes

Statement Provided

Pass / Fail

3.3.24 Color Pulse

Statement Provided

Pass / Fail

3.3.25 Graphic Pulse

Statement Provided

Pass / Fail

3.3.26 Extended Play Games

Statement Provided

Pass / Fail

3.3.27 Shrink-wrapping

Statement Provided

Pass / Fail

3.3.28 Shelf Life

Statement Provided

Pass / Fail

3.3.29 Proofs, Color Keyes, and Artwork

Statement Provided

Pass / Fail

3.3.30 Ticket Numbering

Statement Provided

Pass / Fail

3.3.31 Pack Identification Numbering

Statement Provided

Pass / Fail

3.3.32 Ticket Game Number		
Statement Provided		Pass / Fail
3.3.33 Rejected Word List		
Statement Provided		Pass / Fail
3.3.34 Problem Tracing		
Statement Provided		Pass / Fail
3.3.35 Non-Conforming Tickets		
Statement Provided		Pass / Fail
3.3.36 Guaranteed Low End Prize Structure (GLEPS)		
Statement Provided		Pass / Fail
3.3.37 Validation Interface		
Statement Provided		Pass / Fail
3.3.38 Read Rate		
Statement Provided		Pass / Fail
3.3.39 Omitted Packs		
Statement Provided		Pass / Fail
3.3.40 Final Game Rules		
Statement Provided		Pass / Fail
3.3.41 Trademark Search		
Statement Provided		Pass / Fail
3.3.42 Attainment of Prize Structure		
Statement Provided		Pass / Fail
3.3.43 Game Assistance		
Statement Provided		Pass / Fail
3.3.44 Official Ticket Samples Required		
200 Possible Points	Offer submitted ticket samples as requested and ticket samples are acceptable.	
3.3.45 Ticket Albums		
200 Possible Points	Offer submitted ticket samples as requested and ticket samples are acceptable.	
3.3.46 Other Samples		
240 Possible Points	Statements Provided Split total points between 3.3.46 A-F	
3,000 ticket samples	20 Possible Points	A

Sample incorporation list	20 Possible Points	B	
Provide requested info	20 Possible Points	C	
Official samples	20 Possible Points	D	
Tickets	20 Possible Points	E	
2.5 X 4	20 Possible Points	E1	
4 X 4	20 Possible Points	E2	
6 X 4	20 Possible Points	E3	
8 X 4	20 Possible Points	E4	
10 X 4	20 Possible Points	E5	
12 X 4	20 Possible Points	E6	
Press sheets	20 Possible Points	F	

3.3.47 Special Production Samples

50 Possible Points

Offer submitted samples as requested.
Samples are acceptable.

3.3.48 Test Games

Statement Provided

Pass / Fail

3.3.49 Required Marketing Support

350 Possible Points

Statements Provided
Split total points between
3.3.49 A-G

Product plan	50 Possible Points	A	
Participation in meetings	50 Possible Points	B	
MTL quarterly indexing	50 Possible Points	C	
Industry trend analysis, etc.	50 Possible Points	D	
New game ideas, MT trends, etc.	50 Possible Points	E	
Recommendations for games	50 Possible Points	F	
Market research provided	50 Possible Points	G	

3.3.50 Ticket Specifications and Production Requirements

Statement Provided

Pass / Fail

3.3.51 Travel to Press Checks

Statement Provided

Pass / Fail

3.3.52 Remote Sign-Off

390 Possible Points

Offer responded to all points:
Savings to Lottery, provide equipment, setup and maintain.

3.3.53 Lottery Website

450 Possible Points

Statements Provided
Split total points between
3.3.46 A-B

Ticket #s to verify nonwinning tickets	225 Possible Points	A	
Games for the player's lounge	225 Possible Points	B	

3.3.54 Market Research

150 Possible Points

Statement Provided with
options for research.**3.3.55 Additional Options**

100 Possible Points

Offeror provided additional
options for the Lottery to
consider.**3.3.56 Innovative Suggestions and Recommendations**

Statement Provided

Pass / Fail

3.3.57 New Products, New Technologies and Innovations

250 Possible Points

Offeror provided additional
options for the Lottery to
consider.**SECTION 3.4 WAREHOUSE AND DELIVERY****3.4.1 Warehouse Delivery**

50 Possible Points

Statements Provided
3.4.1 AA **3.4.2 Packaging and Numbering**

Statement Provided

Pass / Fail

3.4.3 Palletization

Statement Provided

Pass / Fail

3.4.4 Cartonization

Statement Provided

Pass / Fail

3.4.5 Shipment Standards

Statement Provided

Pass / Fail

3.4.6 Shipment Manifest

Statement Provided

Pass / Fail

3.4.7 Delivery Tolerance

Statement Provided

Pass / Fail

3.4.8 Inventory Control

Statement Provided

Pass / Fail

3.4.9 Void Tickets

Statement Provided

Pass / Fail

3.4.10 Lottery Scratch Ticket Testing

Statement Provided

Pass / Fail

SECTION 3.5 SECURITY

Statement Provided

Pass / Fail

3.5.1 Security Plan

Statement Provided

Pass / Fail

3.5.2 Plant Security

300 Possible Points

Statements Provided
Split total points between
3.5.2 A-D

Plant Security plan provided and
is acceptable

75 Possible Points

A

Inspect & approve plant security

75 Possible Points

B

Visitor access control

75 Possible Points

C

Account for all tickets printed

75 Possible Points

D

3.5.3 Security Plan

Statement Provided

Pass / Fail

3.5.4 Employee Security

Statement Provided

Pass / Fail

3.5.5 Data Security

Plan provided is acceptable.

Pass / Fail

3.5.6 Ticket Security Plan

Plan provided is acceptable.

Pass / Fail

3.5.7 Security Procedures

Statement Provided

Pass / Fail

3.5.8 Best Effort

Statement Provided

Pass / Fail

3.5.9 Security Concerns

100 Possible Points

Possible concerns identified
and resolution is being
addressed

3.5.10 Laboratory Testing

Statement Provided

Pass / Fail

3.5.11 Security Testing

Statement Provided

Pass / Fail

3.5.12 Electronic Data Transfer

Statement Provided

Pass / Fail

3.5.13 Invasive Techniques

Statement Provided

Pass / Fail

3.5.14 Rub-off or Game Data Covering Material

Statement Provided

Pass / Fail

3.5.15 Quality Control

Statement Provided

Pass / Fail

3.5.16 Problem Solving Approach

100 Possible Points

Described problem solving philosophy, provided 3 examples, resolution or outcome provide.

3.5.17 Reconstruction of Game Data

Statement Provided

Pass / Fail

3.5.18 Destruction of Waste for Omitted Ticket Stock

Statement Provided

Pass / Fail

3.5.19 Business Recovery, Continuing Operations Plan, Backup Facilities and Sources

Statement Provided

Pass / Fail

3.5.20 Production Audit Procedures

Statement Provided

Pass / Fail

3.5.21 Certified Public Accountant's Report

Statement Provided

Pass / Fail

3.5.22 Notification Requirement

Statement Provided

Pass / Fail

3.5.23 Investigation of Problem Tickets

Statement Provided

Pass / Fail

3.5.24 Security Inspection

Statement Provided

Pass / Fail

3.5.26 Alternative Security Processes

100 Possible Points

Offeror has alternatives for improvement of the security of games or production processes.

3.5.27 Future Technologies

Understand and will comply

Pass / Fail

3.5.28 Updates and Changes Tested

Statement Provided

Pass / Fail

3.5.29 Keyed Dual Security

50 Possible Points

Offeror has or similar process
with same outcome

--

SECTION 3.6 OTHER REQUIREMENTS**3.6.1 Training**

350 Possible Points

Offeror offers Product &
Security training and provides:
travel, accommodation, and
meals

--

3.6.2 Assignment of Contract

Statement Provided

Pass / Fail

3.6.3 End of Contract Transition

Statement Provided

Pass / Fail

3.6.4 Deliverables and Services Not Originally Defined

Statement Provided

Pass / Fail

3.6.5 Approval of Changes to Contractor Supplied Products and Processes

Statement Provided

Pass / Fail

3.6.6 Vending Machine Compatibility

Statement Provided

Pass / Fail

SECTION 4 OFFEROR QULIFICATIONS/ INFORMATIONAL REQUIREMENTS

1500 Possible Points for Section 4

Statement Provided

Pass / Fail

4.1.1 References

250 Possible Points

References

--

4.1.2 Background Investigation

Statement Provided

Pass / Fail

4.1.3 Resumes/Company Profile and Experience

650 Possible Points

Information Provided
Split total points between
4.1.3 A-FLottery account staff
Staff chosen meets Lottery
needs150 Possible Points
150 Possible PointsA
B

Resume's of personnel staff
Provide following info:
Background info
Accounting firm
Remove any employee from
Montana account.

Employee of the State

First customer reference

Reason for contract ending
Tickets delivered, ordered,
over redemption of prizes

Second customer reference

Reason for contract ending
Tickets delivered, ordered,
over redemption of prizes

Third customer reference

Reason for contract ending
Tickets delivered, ordered,
over redemption of prizes

Fourth customer reference

Reason for contract ending
Tickets delivered, ordered,
over redemption of prizes

Fifth customer reference

Reason for contract ending
Tickets delivered, ordered,
over redemption of prizes

50 Possible Points C
D1-11
50 Possible Points D12
D13-18
D19

E
1st Customer F1-4
25 Possible Points F5
25 Possible Points F6

2nd Customer F1-4
25 Possible Points F5
25 Possible Points F6

3rd Customer F1-4
25 Possible Points F5
25 Possible Points F6

4th Customer F1-4
25 Possible Points F5
25 Possible Points F6

5th Customer F1-4
25 Possible Points F5
25 Possible Points F6

Informational Only
Informational Only
Pass / Fail
Informational Only
Informational Only
Informational Only
Informational Only
Informational Only

4.1.4 Offeror Prior Contract Performance

0 points to negative 500
Possible Points

Statements Provided
Split total points between
4.1.4 A-F

Significant problems delivering
tickets within the last five years
Significant problems producing
or supplying game/s within the
last five years
Terminated for default or cause;
if so Offeror submitted full details
Including name, address and
telephone number
Assessed any penalties existing
or past customers
Penalties pending

Trading stocks of companies
ever suspended?

A	
B	
C	
D	
E	
F	

4.1.5 Experience and Qualification of Subcontractors

Statements Provided

Split total points between
4.1.5 A-C

Types of service directly
provided by Offeror or
subcontractor
Subcontractors utilized to fulfill
the contracts described.
Lottery's right to approve
subcontractor

A	Pass / Fail
B	Informational Only
C	Pass / Fail

4.1.6 Method of Providing Services

200 Possible Points

Offeror provides work plan will
all details and it is acceptable to
the Lottery.

--

SECTION 4.2 OFFEROR QULIFICATIONS/ INFORMATIONAL REQUIREMENTS

Possible Points

Offeror submits information
requested in A.

Audited financial info necessary
to determine the financial
integrity and responsibility of
Offeror

A	Pass / Fail
---	-------------

4.2. B

Pass / Fail

4.2.1 Financial Documents

400 Possible Points

Split total points between
4.2.1 A-B

Positive cash flow
Sufficient reserves

200 Possible Points
200 Possible Points

A	
B	

4.2.1 Additional Statements

Pass / Fail

SECTION 4.3 PREVAILING WAGES

Statement Provided

Pass / Fail

SECTION 4.4 INTEGRITY

Statement Provided

Pass / Fail

SECTION 5 COST PROPOSAL

3000 Possible Points for Section 5

Statement Provided

Pass / Fail

Base Ticket Price 2.5 X 4

120 Possible Points

Foil Stock

Quantity

12 Possible Points	60,000
12 Possible Points	90,000
12 Possible Points	120,000
12 Possible Points	180,000
12 Possible Points	240,000

Recycled/Recyclable

Quantity

12 Possible Points	60,000
12 Possible Points	90,000
12 Possible Points	120,000
12 Possible Points	180,000
12 Possible Points	240,000

Base Ticket Price 6 X 4

120 Possible Points

Foil Stock

Quantity

12 Possible Points	60,000
12 Possible Points	90,000
12 Possible Points	120,000
12 Possible Points	180,000
12 Possible Points	240,000

Recycled/Recyclable

Quantity

12 Possible Points	60,000
12 Possible Points	90,000
12 Possible Points	120,000
12 Possible Points	180,000
12 Possible Points	240,000

Base Ticket Price 8 X 4

120 Possible Points

Foil Stock

Quantity

12 Possible Points	60,000
12 Possible Points	90,000
12 Possible Points	120,000
12 Possible Points	180,000
12 Possible Points	240,000

Recycled/Recyclable

Quantity

12 Possible Points	60,000
12 Possible Points	90,000
12 Possible Points	120,000
12 Possible Points	180,000
12 Possible Points	240,000

Base Ticket Price 10 X 4

120 Possible Points

Foil Stock

Quantity

12 Possible Points	60,000
12 Possible Points	90,000
12 Possible Points	120,000
12 Possible Points	180,000
12 Possible Points	240,000

Recycled/Recyclable

Quantity

12 Possible Points	60,000
12 Possible Points	90,000
12 Possible Points	120,000
12 Possible Points	180,000
12 Possible Points	240,000

Base Ticket Price 12 X 4

120 Possible Points

Foil Stock

Quantity

12 Possible Points	60,000
12 Possible Points	90,000
12 Possible Points	120,000
12 Possible Points	180,000
12 Possible Points	240,000

Recycled/Recyclable

Quantity

12 Possible Points	60,000
12 Possible Points	90,000
12 Possible Points	120,000
12 Possible Points	180,000
12 Possible Points	240,000

Item/Description

Virgin coated one side (C1S)	20 Possible Points	/1,000	
Coated two sided (C2C	50 Possible Points	/1,000	
Display color on ticket back	20 Possible Points	/1,000	
Color Pulse	50 Possible Points	Pulse	
Graphic Pulse	100 Possible Points	Pulse	
Die-Cut	20 Possible Points	/1,000	
Pouch	20 Possible Points	/1,000	
Books of 100	40 Possible Points	/1,000	
“ “ 50	40 Possible Points	/1,000	
“ “ 40	40 Possible Points	/1,000	
“ “ 20	40 Possible Points	/1,000	
“ “ 10	40 Possible Points	/1,000	
R/R 2 games across web/1,000	20 Possible Points	60,000	
	20 Possible Points	90,000	
	20 Possible Points	120,000	
	20 Possible Points	180,000	
	20 Possible Points	240,000	
R/R 3 games across web/1,000	20 Possible Points	60,000	

	20 Possible Points	90,000	
	20 Possible Points	120,000	
	20 Possible Points	180,000	
	20 Possible Points	240,000	
R/R 4 games across web/1,000	20 Possible Points	60,000	
	20 Possible Points	90,000	
	20 Possible Points	120,000	
	20 Possible Points	180,000	
	20 Possible Points	240,000	
Foil 2 games across web/1,000	20 Possible Points	60,000	
	20 Possible Points	90,000	
	20 Possible Points	120,000	
	20 Possible Points	180,000	
	20 Possible Points	240,000	
Foil 3 games across web/1,000	20 Possible Points	60,000	
	20 Possible Points	90,000	
	20 Possible Points	120,000	
	20 Possible Points	180,000	
	20 Possible Points	240,000	
Foil 4 games across web/1,000	20 Possible Points	60,000	
	20 Possible Points	90,000	
	20 Possible Points	120,000	
	20 Possible Points	180,000	
	20 Possible Points	240,000	
Mega FouReal 4 color	200 Possible Points	/1,000	
Fluorescent colors	35 Possible Points	/1,000	
Multiple Scenes	100 Possible Points cost	/scene	
Spot varnish water based	30 Possible Points	/1,000	
UV Spot varnish (high gloss)	30 Possible Points	/1,000	
UV Full varnish (high gloss)	30 Possible Points	/1,000	
Glitter Ink	35 Possible Points	/1,000	
4 color process on ticket back	30 Possible Points	/1,000	
Additional Programming	30 Possible Points	/hour	
Scored Tickets	30 Possible Points	/1,000	
Holographic ticket (scrap) stock	200 Possible Points		
Proprietary games	30 Possible Points		
Failsafe™ PDF 417 or an equal or better secure process	200 Possible Points		
Failsafe™ PDF 417 or an equal or better secure process TB	75 Possible Points		
Other Options Requested	30 Possible Points		
Travel, accommodations, meals for one person to printing site	75 Possible Points		
Website Play Lounge	50 Possible Points		
Website Drawing Data	50 Possible Points		
Ticket Destruction and Disposal	30 Possible Points		
Keyed Dual Security or similar process	30 Possible Points		

Lowest overall cost receives the maximum allotted points. All other proposals receive a percentage of the points available based on their cost relationship to the lowest. Example: Total possible points for cost are 3000. Offeror A's cost is \$20,000. Offeror B's cost is \$30,000. Offeror A would receive 3000 points, Offeror B would receive 2000 points ($\$20,000/\$30,000 = 67\% \times 3000 \text{ points} = 2000$).

$$\frac{\text{Lowest Responsive Offer Total Cost}}{\text{This Offeror Total Cost}} \times \text{Number of available points} = \text{Award Points}$$

APPENDIX A: STANDARD TERMS AND CONDITIONS

By submitting a response to this invitation for bid, request for proposal, limited solicitation, or acceptance of a contract, the vendor agrees to acceptance of the following Standard Terms and Conditions and any other provisions that are specific to this solicitation or contract.

ACCEPTANCE/REJECTION OF BIDS, PROPOSALS, OR LIMITED SOLICITATION RESPONSES: The State reserves the right to accept or reject any or all bids, proposals, or limited solicitation responses, wholly or in part, and to make awards in any manner deemed in the best interest of the State. Bids, proposals, and limited solicitation responses will be firm for 30 days, unless stated otherwise in the text of the invitation for bid, request for proposal, or limited solicitation.

ACCESS AND RETENTION OF RECORDS: The contractor agrees to provide the department, Legislative Auditor, or their authorized agents, access to any records necessary to determine contract compliance. (Section 18-1-118, MCA). The contractor agrees to create and retain records supporting the services rendered or supplies delivered for a period of three years after either the completion date of the contract or the conclusion of any claim, litigation, or exception relating to the contract taken by the State of Montana or third party.

ALTERATION OF SOLICITATION DOCUMENT: In the event of inconsistencies or contradictions between language contained in the State's solicitation document and a vendor's response, the language contained in the State's original solicitation document will prevail. Intentional manipulation and/or alteration of solicitation document language will result in the vendor's disqualification and possible debarment.

ASSIGNMENT, TRANSFER AND SUBCONTRACTING: The contractor shall not assign, transfer or subcontract any portion of the contract without the express written consent of the department. (Section 18-4-141, MCA.)

AUTHORITY: The attached bid, request for proposal, limited solicitation, or contract is issued under authority of Title 18, Montana Code Annotated, and the Administrative Rules of Montana, Title 2, chapter 5.

COMPLIANCE WITH LAWS: The contractor must, in performance of work under the contract, fully comply with all applicable federal, state, or local laws, rules and regulations, including the Montana Human Rights Act, the Civil Rights Act of 1964, the Age Discrimination Act of 1975, the Americans with Disabilities Act of 1990, and Section 504 of the Rehabilitation Act of 1973. Any subletting or subcontracting by the contractor subjects subcontractors to the same provision. In accordance with section 49-3-207, MCA, the contractor agrees that the hiring of persons to perform the contract will be made on the basis of merit and qualifications and there will be no discrimination based upon race, color, religion, creed, political ideas, sex, age, marital status, physical or mental disability, or national origin by the persons performing the contract.

CONFORMANCE WITH CONTRACT: No alteration of the terms, conditions, delivery, price, quality, quantities, or specifications of the contract shall be granted without prior written consent of the State Procurement Bureau. Supplies delivered which do not conform to the contract terms, conditions, and specifications may be rejected and returned at the contractor's expense.

DEBARMENT: The contractor certifies, by submitting this bid or proposal, that neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction (contract) by any governmental department or agency. If the contractor cannot certify this statement, attach a written explanation for review by the State.

DISABILITY ACCOMMODATIONS: The State of Montana does not discriminate on the basis of disability in admission to, access to, or operations of its programs, services, or activities. Individuals who need aids, alternative document formats, or services for effective communications or other disability related accommodations in the programs and services offered are invited to make their needs and preferences known to this office. Interested parties should provide as much advance notice as possible.

FACSIMILE RESPONSES: Facsimile responses will be accepted for invitations for bids, small purchases, or limited solicitations ONLY if they are completely received by the State Procurement Bureau prior to the time set for receipt. Bids, or portions thereof, received after the due time will not be considered. Facsimile responses to requests for proposals are ONLY accepted on an exception basis with prior approval of the procurement officer.

FAILURE TO HONOR BID/PROPOSAL: If a bidder/offeror to whom a contract is awarded refuses to accept the award (PO/contract) or fails to deliver in accordance with the contract terms and conditions, the department may, in its discretion, suspend the bidder/offeror for a period of time from entering into any contracts with the State of Montana.

FORCE MAJEURE: Neither party shall be responsible for failure to fulfill its obligations due to causes beyond its reasonable control, including without limitation, acts or omissions of government or military authority, acts of God, materials shortages, transportation delays, fires, floods, labor disturbances, riots, wars, terrorist acts, or any other causes, directly or indirectly beyond the reasonable control of the nonperforming party, so long as such party is using its best efforts to remedy such failure or delays.

HOLD HARMLESS/INDEMNIFICATION: The contractor agrees to protect, defend, and save the State, its elected and appointed officials, agents, and employees, while acting within the scope of their duties as such, harmless from and against all claims, demands, causes of action of any kind or character, including the cost of defense thereof, arising in favor of the contractor's employees or third parties on account of bodily or personal injuries, death, or damage to property arising out of services performed or omissions of services or in any way resulting from the acts or omissions of the contractor and/or its agents, employees, representatives, assigns, subcontractors, except the sole negligence of the State, under this agreement.

LATE BIDS AND PROPOSALS: Regardless of cause, late bids and proposals will not be accepted and will automatically be disqualified from further consideration. It shall be solely the vendor's risk to ensure delivery at the designated office by the designated time. Late bids and proposals will not be opened and may be returned to the vendor at the expense of the vendor or destroyed if requested.

PAYMENT TERM: All payment terms will be computed from the date of delivery of supplies or services OR receipt of a properly executed invoice, whichever is later. Unless otherwise noted in the solicitation document, the State is allowed 30 days to pay such invoices. All contractors will be required to provide banking information at the time of contract execution in order to facilitate State electronic funds transfer payments.

RECIPROCAL PREFERENCE: The State of Montana applies a reciprocal preference against a vendor submitting a bid from a state or country that grants a residency preference to its resident businesses. A reciprocal preference is only applied to an invitation for bid for supplies or an invitation for bid for nonconstruction services for public works as defined in section 18-2-401(9), MCA, and then only if federal funds are not involved. For a list of states that grant resident preference, see <http://gsd.mt.gov/procurement/preferences.asp>.

REFERENCE TO CONTRACT: The contract or purchase order number MUST appear on all invoices, packing lists, packages, and correspondence pertaining to the contract.

REGISTRATION WITH THE SECRETARY OF STATE: Any business intending to transact business in Montana must register with the Secretary of State. Businesses that are incorporated in another state or country, but which are conducting activity in Montana, must determine whether they are transacting business in

Montana in accordance with sections 35-1-1026 and 35-8-1001, MCA. Such businesses may want to obtain the guidance of their attorney or accountant to determine whether their activity is considered transacting business.

If businesses determine that they are transacting business in Montana, they must register with the Secretary of State and obtain a certificate of authority to demonstrate that they are in good standing in Montana. To obtain registration materials, call the Office of the Secretary of State at (406) 444-3665, or visit their website at <http://sos.mt.gov>.

SEPARABILITY CLAUSE: A declaration by any court, or any other binding legal source, that any provision of the contract is illegal and void shall not affect the legality and enforceability of any other provision of the contract, unless the provisions are mutually dependent.

SHIPPING: Supplies shall be shipped prepaid, F.O.B. Destination, unless the contract specifies otherwise.

SOLICITATION DOCUMENT EXAMINATION: Vendors shall promptly notify the State of any ambiguity, inconsistency, or error which they may discover upon examination of a solicitation document.

TAX EXEMPTION: The State of Montana is exempt from Federal Excise Taxes (#81-0302402).

TECHNOLOGY ACCESS FOR BLIND OR VISUALLY IMPAIRED: Contractor acknowledges that no state funds may be expended for the purchase of information technology equipment and software for use by employees, program participants, or members of the public unless it provides blind or visually impaired individuals with access, including interactive use of the equipment and services, that is equivalent to that provided to individuals who are not blind or visually impaired. (Section 18-5-603, MCA.) Contact the State Procurement Bureau at (406) 444-2575 for more information concerning nonvisual access standards.

TERMINATION OF CONTRACT: Unless otherwise stated, the State may, by written notice to the contractor, terminate the contract in whole or in part at any time the contractor fails to perform the contract.

UNAVAILABILITY OF FUNDING: The contracting agency, at its sole discretion, may terminate or reduce the scope of the contract if available funding is reduced for any reason. (Section 18-4-313(4), MCA.)

U.S. FUNDS: All prices and payments must be in U.S. dollars.

VENUE: This solicitation is governed by the laws of Montana. The parties agree that any litigation concerning this bid, request for proposal, limited solicitation, or subsequent contract, must be brought in the First Judicial District in and for the County of Lewis and Clark, State of Montana, and each party shall pay its own costs and attorney fees. (Section 18-1-401, MCA.)

WARRANTIES: The contractor warrants that items offered will conform to the specifications requested, to be fit and sufficient for the purpose manufactured, of good material and workmanship, and free from defect. Items offered must be new and unused and of the latest model or manufacture, unless otherwise specified by the State. They shall be equal in quality and performance to those indicated herein. Descriptions used herein are specified solely for the purpose of indicating standards of quality, performance, and/or use desired. Exceptions will be rejected.

Revised 11/06

**MONTANA LOTTERY SCRATCH RFP AND RELATED SERVICES
CONTRACT NUMBER 000014**

1. PARTIES

THIS CONTRACT is entered into by and between the State of Montana, Montana Lottery, (hereinafter referred to as "the State"), whose address and phone number are 2525 N Montana Avenue, (406) 444-7090 and (insert name of contractor), (hereinafter referred to as the "Contractor"), address and phone number are (insert address) and (insert phone number).

THE PARTIES AGREE AS FOLLOWS:

2. EFFECTIVE DATE, DURATION, AND RENEWAL

2.1 Contract Term. This contract shall take effect on August 8, 2008, and terminate on August 8, 2013, unless terminated earlier in accordance with the terms of this contract. (Section 18-4-313, MCA)

2.2 Contract Renewal. With the concurrence of the Commission, the successful vendor will be required to enter into a formal contract with the Lottery. The contract shall incorporate, by reference, the FRP and any amendments, and the vendor's proposal to the FRP and subsequent best and final offer, if any. The contents of the proposal of the successful vendor shall become contractual obligations of the contract.

This contract may, upon mutual agreement between the parties and according to the terms of the existing contract, be renewed in one-year intervals up to two years total, by mutual agreement of both parties, or any interval that is advantageous to the State. Additional terms of the contract will be negotiated between the parties. This contract, including any renewals, may not exceed a total of seven years.

Failure of the Lottery to insist upon strict adherence to any of the terms of the contract resulting from the RFP does not constitute a waiver of responsibility and does not deprive the Lottery of the right thereafter to insist upon strict adherence to that or any term or condition of the contract.

And contract resulting from this RFP may not be modified, amended or extended unless in writing, signed by both parties, and any breach or default by a party may not be waived or released other than in writing, signed by the other party.

The Lottery reserves the right to award multiple contracts if it is determined to be in the best interest of the Lottery.

All cost, terms, and conditions contained in the proposal shall remain fixed and valid over the term of the Contract.

3. SERVICES AND/OR SUPPLIES

Contractor agrees to provide to the State the following: Contractor to provide scratch tickets games and related services to include, but not limited to ticket design, production, security and delivery to the Lottery's warehouse and marketing support for scratch games.

The contractor will assist the Lottery with the overall operation of the scratch ticket program with the goal of increasing sales and revenues for the State. Providing industry research, information on successful or new products and any additional information that would assist the lottery in offering products to meet or exceed the above goal.

The Montana Lottery is interested in working with the Contractor to test new products, games or ideas. The Lottery is also interested in the possibility of remote press checks and sign-offs to save travel related costs. The Lottery is further interested in the possibility of printing multiple games at the same time to save costs. It is the ultimate objective of the Montana Lottery to provide Scratch tickets for the players that make possible the winning of instant prizes and ensure the players that our tickets will be of the highest quality and security to maintain the integrity of the Lottery.

4. CONSIDERATION/PAYMENT

4.1 Payment Schedule. In consideration for the scratch tickets games and related services to be provided, the State shall pay according to the following schedule: net due within 30 days of receipt of a properly executed invoice.

4.2 Withholding of Payment. The State may withhold payments to the Contractor if the Contractor has not performed in accordance with this contract. Such withholding cannot be greater than the additional costs to the State caused by the lack of performance.

5. ACCESS AND RETENTION OF RECORDS

5.1 Access to Records. The Contractor agrees to provide the State, Legislative Auditor or their authorized agents access to any records necessary to determine contract compliance. (Section 18-1-118, MCA)

5.2 Retention Period. The Contractor agrees to create and retain records supporting the scratch tickets games and related services for a period of three years after either the completion date of this contract or the conclusion of any claim, litigation, or exception relating to this contract taken by the State of Montana or a third party.

6. ASSIGNMENT, TRANSFER, AND SUBCONTRACTING

The Contractor shall not assign, transfer, or subcontract any portion of this contract without the express written consent of the State. (Section 18-4-141, MCA) The Contractor shall be responsible to the State for the acts and omissions of all subcontractors or agents and of persons directly or indirectly employed by such subcontractors, and for the acts and omissions of persons employed directly by the Contractor. No contractual relationships exist between any subcontractor and the State.

7. HOLD HARMLESS/INDEMNIFICATION

The Contractor agrees to protect, defend, and save the State, its elected and appointed officials, agents, and employees, while acting within the scope of their duties as such, harmless from and against all claims, demands, causes of action of any kind or character, including the cost of defense thereof, arising in favor of the Contractor's employees or third parties on account of bodily or personal injuries, death, or damage to property arising out of services performed or omissions of services or in any way resulting from the acts or omissions of the Contractor and/or its agents, employees, representatives, assigns, subcontractors, except the sole negligence of the State, under this agreement.

8. REQUIRED INSURANCE

8.1 General Requirements. The Contractor shall maintain for the duration of the contract, at its cost and expense, insurance against claims for injuries to persons or damages to property, including contractual liability, which may arise from or in connection with the performance of the work by the Contractor, agents, employees, representatives, assigns, or subcontractors. This insurance shall cover such claims as may be caused by any negligent act or omission.

8.2 Primary Insurance. The Contractor's insurance coverage shall be primary insurance with respect to the State, its officers, officials, employees, and volunteers and shall apply separately to each project or location. Any insurance or self-insurance maintained by the State, its officers, officials, employees or volunteers shall be excess of the Contractor's insurance and shall not contribute with it.

8.3 Specific Requirements for Commercial General Liability. The Contractor shall purchase and maintain occurrence coverage with combined single limits for bodily injury, personal injury, and property damage of **(insert dollar amount)** per occurrence and **(insert dollar amount)** aggregate per year to cover such claims as may be caused by any act, omission, or negligence of the Contractor or its officers, agents, representatives, assigns, or subcontractors.

The State, its officers, officials, employees, and volunteers are to be covered and listed as additional insureds; for liability arising out of activities performed by or on behalf of the Contractor, including the insured's general supervision of the Contractor; products, and completed operations; premises owned, leased, occupied, or used.

8.4 Specific Requirements for Automobile Liability. The Contractor shall purchase and maintain coverage with split limits of \$500,000 per person (personal injury), \$1,000,000 per accident occurrence (personal injury), and \$100,000 per accident occurrence (property damage), OR combined single limits of \$1,000,000 per occurrence to cover such claims as may be caused by any act, omission, or negligence of the contractor or its officers, agents, representatives, assigns, or subcontractors.

The State, its officers, officials, employees, and volunteers are to be covered and listed as additional insureds for automobiles leased, hired, or borrowed by the Contractor.

8.5 Specific Requirements for Professional Liability. The Contractor shall purchase and maintain occurrence coverage with combined single limits for each wrongful act of **(insert dollar amount)** per occurrence and **(insert dollar amount)** aggregate per year to cover such claims as may be caused by any act, omission, negligence of the Contractor or its officers, agents, representatives, assigns, or subcontractors. Note: if "occurrence" coverage is unavailable or cost prohibitive, the Contractor may provide "claims made" coverage provided the following conditions are met: (1) the commencement date of the contract must not fall outside the effective date of insurance coverage and it will be the retroactive date for insurance coverage in future years; and (2) the claims made policy must have a three-year tail for claims that are made (filed) after the cancellation or expiration date of the policy.

8.6 Deductibles and Self-Insured Retentions. Any deductible or self-insured retention must be declared to and approved by the state agency. At the request of the agency either: (1) the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the State, its officers, officials, employees, or volunteers; or (2) at the expense of the Contractor, the Contractor shall procure a bond guaranteeing payment of losses and related investigations, claims administration, and defense expenses.

8.7 Certificate of Insurance/Endorsements. A certificate of insurance from an insurer with a Best's rating of no less than A- indicating compliance with the required coverages, has been received by the State Procurement Bureau, P.O. Box 200135, Helena, MT 59620-0135. The Contractor must notify the State immediately, of any material change in insurance coverage, such as changes in limits, coverages, change in status of policy, etc. The State reserves the right to require complete copies of insurance policies at all times.

9. COMPLIANCE WITH WORKERS' COMPENSATION ACT

Contractors are required to comply with the provisions of the Montana Workers' Compensation Act while performing work for the State of Montana in accordance with sections 39-71-401, 39-71-405, and 39-71-417, MCA. Proof of compliance must be in the form of workers' compensation insurance, an independent contractor's exemption, or documentation of corporate officer status. Neither the contractor nor its employees

are employees of the State. This insurance/exemption must be valid for the entire term of the contract. A renewal document must be sent to the State Procurement Bureau, P.O. Box 200135, Helena, MT 59620-0135, upon expiration.

10. COMPLIANCE WITH LAWS

The Contractor must, in performance of work under this contract, fully comply with all applicable federal, state, or local laws, rules, and regulations, including the Montana Human Rights Act, the Civil Rights Act of 1964, the Age Discrimination Act of 1975, the Americans with Disabilities Act of 1990, and Section 504 of the Rehabilitation Act of 1973. Any subletting or subcontracting by the Contractor subjects subcontractors to the same provision. In accordance with section 49-3-207, MCA, the Contractor agrees that the hiring of persons to perform the contract will be made on the basis of merit and qualifications and there will be no discrimination based upon race, color, religion, creed, political ideas, sex, age, marital status, physical or mental disability, or national origin by the persons performing the contract.

11. PATENT AND COPYRIGHT PROTECTION

11.1 Third Party Claim. In the event of any claim by any third party against the State that the products furnished under this contract infringe upon or violate any patent or copyright, the State shall promptly notify Contractor. Contractor shall defend such claim, in the State's name or its own name, as appropriate, but at Contractor's expense. Contractor will indemnify the State against all costs, damages, and attorney's fees that accrue as a result of such claim. If the State reasonably concludes that its interests are not being properly protected, or if principles of governmental or public law are involved, it may enter any action.

12. Contract Performance Security – All Forms Accepted. The Contractor must provide contract performance security based upon (insert %) of the contract total.

The contract performance security must be provided by the Contractor in one of the following forms, within 10 working days from the Request for Documents Notice. ONLY THE FOLLOWING TYPES OF SECURITY ARE ACCEPTABLE AND MUST BE IN ORIGINAL FORM. FACSIMILE, ELECTRONIC, OR PHOTOCOPIES ARE NOT ACCEPTABLE. Personal or business checks are not acceptable.

- A sufficient bond from a surety company licensed in Montana with a Best's rating of no less than A- and supplied on the State of Montana's designated form entitled "Contract Performance Bond," found at <http://gsd.mt.gov/procurement/forms.asp>; or
- Lawful money of the United States; or
- An irrevocable letter of credit from a single financial institution and supplied on the State of Montana's designated form entitled "Irrevocable Letter of Credit," found at <http://gsd.mt.gov/procurement/forms.asp>; or
- A cashier's check, certified check, bank money order, bank draft, certificate of deposit, or money market certificates drawn or issued by a federally or state-chartered bank or savings and loan association that is insured by or for which insurance is administered by the FDIC or that is drawn and issued by a credit union insured by the national credit union share insurance fund. Certificates of deposit or money market certificates will not be accepted as security for bid, proposal, or contract security unless the certificates are assigned only to the State. All interest income from these certificates must accrue only to the contractor and not the State.

See Title 18, chapter 4, part 3, MCA, Title 30, chapter 5, MCA, and ARM 2.5.502.

This contract performance security must remain in effect for the entire term of the contract. A new surety bond or irrevocable letter of credit must be issued to the State of Montana if this contract is renewed.

The contract performance security in the form of a **(insert form)** has been provided to the following address: State of Montana, Print Services, 920 Front Street, Helena, MT 59601.

OR

12.1 Contract Performance Security – Surety Bonds Only. The Contractor must provide contract performance security based upon 100% of the contract total. This security must be in the form of a surety bond licensed in Montana with a Best's rating of no less than A-. The surety bond must be supplied on the form designated by the State of Montana. The required form entitled "Contract Performance Bond," may be found at <http://gsd.mt.gov/procurement/forms.asp>. **THE ORIGINAL FORM MUST BE PROVIDED. FACSIMILE, ELECTRONIC, OR PHOTOCOPIES ARE NOT ACCEPTABLE.**

The contract performance security must be provided to the State of Montana within 10 working days from the Request for Documents Notice. This security must remain in effect for the entire term of the contract. A new surety bond must be issued to the State of Montana if this contract is renewed.

The original surety bond form has been provided to the following address: State of Montana, Print Services, 920 Front Street, Helena, MT 59601.

13. CONTRACT TERMINATION

13.1 Termination for Cause with Notice to Cure Requirement. The State may terminate this contract for failure of the Contractor to perform any of the services, duties, or conditions contained in this contract after giving the Contractor written notice of the stated failure. The written notice must demand performance of the stated failure within a specified period of time of not less than 30 days. If the demanded performance is not completed within the specified period, the termination is effective at the end of the specified period.

13.2 Reduction of Funding. The State, at its sole discretion, may terminate or reduce the scope of this contract if available funding is reduced for any reason. (See section 18-4-313(4), MCA.)

13.3 For the Convenience of the Lottery. The Lottery, by sending written notice to the contractor at least 3 months prior to the scheduled termination date.

In case of termination, the Lottery will reimburse the contractor for actual costs for services rendered as agreed to by the terms of the contract resulting from this RFP.

14. LIAISON AND SERVICE OF NOTICES

All project management and coordination on behalf of the State shall be through a single point of contact designated as the State's liaison. Contractor shall designate a liaison that will provide the single point of contact for management and coordination of Contractor's work. All work performed pursuant to this contract shall be coordinated between the State's liaison and the Contractor's liaison.

Laurie J. Felch will be the liaison for the State.

2525 N Montana Avenue

Helena MT 59601

Telephone: (406) 444-7090

Fax: (406) 444-5830

E-mail: ljfelch@mt.gov

_____ will be the liaison for the Contractor.

(Address):

(City, State, ZIP):

Telephone:

Cell Phone:

Fax:

E-mail:

The State's liaison and Contractor's liaison may be changed by written notice to the other party. Written notices, requests, or complaints will first be directed to the liaison.

15. MEETINGS

The Contractor is required to meet with the State's personnel, or designated representatives, to resolve technical or contractual problems that may occur during the term of the contract or to discuss the progress made by Contractor and the State in the performance of their respective obligations, at no additional cost to the State. Meetings will occur as problems arise and will be coordinated by the State. The Contractor will be given a minimum of three full working days notice of meeting date, time, and location. Face-to-face meetings are desired. However, at the Contractor's option and expense, a conference call meeting may be substituted. Consistent failure to participate in problem resolution meetings two consecutive missed or rescheduled meetings, or to make a good faith effort to resolve problems, may result in termination of the contract.

16. CONTRACTOR PERFORMANCE ASSESSMENTS

The State may do assessments of the Contractor's performance. This contract may be terminated for one or more poor performance assessments. Contractors will have the opportunity to respond to poor performance assessments. The State will make any final decision to terminate this contract based on the assessment and any related information, the Contractor's response and the severity of any negative performance assessment. The Contractor will be notified with a justification of contract termination. Performance assessments may be considered in future solicitations.

17. TRANSITION ASSISTANCE

If this contract is not renewed at the end of this term, or is terminated prior to the completion of a project, or if the work on a project is terminated, for any reason, the Contractor must provide for a reasonable period of time after the expiration or termination of this project or contract, all reasonable transition assistance requested by the State, to allow for the expired or terminated portion of the services to continue without interruption or adverse effect, and to facilitate the orderly transfer of such services to the State or its designees. Such transition assistance will be deemed by the parties to be governed by the terms and conditions of this contract, except for those terms or conditions that do not reasonably apply to such transition assistance. The State shall pay the Contractor for any resources utilized in performing such transition assistance at the most current rates provided by the contract. If there are no established contract rates, then the rate shall be mutually agreed upon. If the State terminates a project or this contract for cause, then the State will be entitled to offset the cost of paying the Contractor for the additional resources the Contractor utilized in providing transition assistance with any damages the State may have otherwise accrued as a result of said termination.

18. CHOICE OF LAW AND VENUE

This contract is governed by the laws of Montana. The parties agree that any litigation concerning this bid, proposal or subsequent contract must be brought in the First Judicial District in and for the County of Lewis and Clark, State of Montana and each party shall pay its own costs and attorney fees. (See section 18-1-401, MCA.)

19. SCOPE, AMENDMENT, AND INTERPRETATION

21.1 Contract. This contract consists of (insert number) numbered pages, any Attachments as required, RFP # (insert RFP number), as amended and the Contractor's RFP response as amended. In the case of dispute or ambiguity about the minimum levels of performance by the Contractor the order of precedence of document interpretation is in the same order.

21.2 Entire Agreement. These documents contain the entire agreement of the parties. Any enlargement, alteration or modification requires a written amendment signed by both parties.

20. EXECUTION

The parties through their authorized agents have executed this contract on the dates set out below.

(INSERT AGENCY NAME)
(Insert Address)
Insert City, State, Zip)

(INSERT CONTRACTOR'S NAME)
(Insert Address)
(Insert City, State, Zip)
FEDERAL ID #

BY: _____
(Name/Title)

BY: _____
(Name/Title)

(Signature)

(Signature)

DATE: _____

DATE: _____

Approved as to Legal Content:

Legal Counsel (Date)

Approved as to Form:

Procurement Officer (Date)
State Procurement Bureau